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WEEKEND BASEBALL
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Furor Over Quayle To Last, Dole Says

By Fred Farris
International Herald Tribune

WASHINGTON — A senior Republican predicted Sunday that the controversy over Senator Dan Quayle's military service during the Vietnam War would linger, and Democrats argued that the issue showed that their ticket had more stature than the Republican ticket.

Mr. Quayle was chosen last week as the Republican Party's vice presidential nominee.

Debate continued over the reports that the Indiana senator had been in line to be drafted for military service when a friend and employee of his wealthy and influential family helped get him into the Indiana National Guard.

Senator Bob Dole of Kansas, the Senate Republican leader, who was passed over by Vice President George Bush in the selection of Mr. Quayle, said the controversy was "going to last awhile."

Mr. Dole, who served in World War II, said the reports of possible undue influence used on behalf of Mr. Quayle to avoid being drafted would hurt the candidate with working-class Democrats who had jumped their party to vote for President Ronald Reagan.

"They're out there in my little home town," Mr. Dole said on an NBC News program, "and I must tell you in my generation, you knew who was in the guard and who was in uniform fighting for their country."

"They're very sensitive about it," he said. "They didn't have anyone they could call. They couldn't influence anyone."

But Mr. Dole said Mr. Quayle would prove to be "a good choice" once the controversy over possible favoritism had been left behind.

550 Die As Quake Hits India

Damage Is Heavy In Nepal, Too; Toll May Increase

By Sanjoy Hazarika
New York Times Service

NEW DELHI — An earthquake struck eastern India and Nepal early Sunday, killing more than 550 people.

The final toll may be higher, officials said. At least 300 people have died in the state of Bihar alone, they said. The Nepalese Home Ministry has confirmed 252 deaths in the Himalayan kingdom.

H. N. Srivastava, deputy director-general of India's Meteorological Department, said that the earthquake measured 6.5 on the Richter scale and that the epicenter was 42 miles (67 kilometers) north-east of the Indian town of Darbhanga, on the India-Nepal border.

News agencies reported that at least 5,000 people had been injured in parts of Bihar, which was severely hit. Many victims were reported still buried in the wreckage of their homes.

Prime Minister Rajiv Gandhi of India announced plans to visit Bihar on Monday to survey the damage.

Voluntary relief groups including the Red Cross organizations in both nations, the police, army troops and residents have begun digging for the injured.

Collapsed houses were reported from the northern parts of West Bengal, the state that borders Bihar.

Landslides blocked roads, isolating towns and villages in the Nepal-India border area, disrupting telecommunications and damaging railroad tracks.

United Press International quoted residents of Lahan in southeast Nepal as saying that wells had stopped functioning and that the main highway had been damaged.

Tremors of varying intensity were felt in a 1,000-mile-wide (1,600-kilometer-wide) belt running from India's easternmost tip of Nagaland, across Bangladesh to Delhi in the north and the central city of Jabalpur.

The devastation was largely confined to four districts in Bihar, India's most impoverished state, and eastern Nepal, including Dharan district where about 150 deaths were reported.

It was the most severe earthquake in the region since a quake in Assam in 1950 killed about 1,000 people.

Two weeks ago, a strong tremor shook northeastern India and Bangladesh.



U.S. AMBASSADOR IS MOURNED — Secretary of State George P. Shultz, right, standing with Nancy Rabbel, the wife of the U.S. ambassador to Pakistan, as his body and that of Brigadier General Herbert Wassom were returned Sunday to Andrews Air Force Base, Maryland. They died in the plane crash that killed President Mohammed Zia ul-Haq, who was buried Saturday. Page 6.

Strike Set In Polish Shipyard

Gdansk Walkout Called Monday at Walesa's Urging

Compiled by Our Staff From Dispatches

GDANSK, Poland — Shipyard workers have called a strike beginning Monday at the Lenin shipyard here, a spokesman for the strike organizers said Sunday night.

The walkout, scheduled to begin at 7 A.M., was called by the shipyard's strike committee on the recommendation of Lech Walesa, the leader of the outlawed Solidarity trade union.

Mr. Walesa had said earlier at a rally of about 3,000 supporters following a mass at St. Brygida's Church that he would propose a strike unless the government opened talks with representatives of striking workers in southwestern coal mines and in the port city of Szczecin.

A strike at the shipyard, which employs at 10,000 people, will worsen what is already the most serious outbreak of labor unrest since the strikes preceding birth of Solidarity in 1980. It was at the Gdansk shipyard that the labor unrest that led to Solidarity's formation began.

Workers in other regions are expected to take their cue from the decision at the shipyard, and Mr. Walesa said he would suggest strikes elsewhere.

Mr. Walesa said he would avoid the main television evening news program for news of a government offer before taking a final decision. The program ended without any such announcement.

Mr. Walesa watched it, and then met for an hour with his advisers. The meeting concluded without him making a formal statement.

But when he was asked whether that meant he was still proposing a strike on Monday, he replied, "Yes, this is my proposal."

A spokesman in the government press office in Warsaw, Ryszard Szturm, had no comment on Mr. Walesa's remarks.

Mr. Walesa said at the rally that the government had made "some suggestions" to him on ending the strikes.

But he criticized the "lack of precision" of the "completely informal" suggestions, saying that was the reason for his ultimatum to the authorities to "explain themselves more concretely."

The strike is to be in support of work stoppages at 10 southern mines and in the northwest port of Szczecin by workers demanding the restoration of Solidarity.

Spokesmen for the strikers said that more than 16,000 coal miners, transport and port workers had stopped work. The official PAP

Dukakis Keeping Clear Of Quayle Controversy

By Andrew Rosenthal
New York Times Service

STONEWALL, Texas — By the time Governor Michael S. Dukakis got to the Texas hill country for a country stroll with Lady Bird Johnson by the grave of her husband, Lyndon, he had settled into a carefully designed, simple pattern: avoid controversy.

In visiting seven states in four days, the Democratic presidential candidate managed to keep his campaign in the news during the Republican National Convention.

To do so, the Massachusetts governor and his aides provided beautiful backdrops for the television cameras, made a proposal or two, like one for a permanently manned space station, and took a few jobs at the Republican Party's newly embraced nominees.

But when it came to talk of vice presidents, the habitually cautious

Mr. Dukakis resolutely stayed out of the imbroglio surrounding Vice President George Bush and his running mate, Senator Dan Quayle of Indiana.

For five days, he provided virtually the same response each time he was asked about Mr. Bush's choice of Mr. Quayle.

He did not know enough about Mr. Quayle to have an opinion on his decision to join the national guard during the Vietnam War, said Mr. Dukakis, declining the chance to take a shot at Mr. Quayle while making the point that the Republican vice presidential nominee was relatively unknown.

Then, to make it even more clear, he added that "no one has ever questioned the qualifications" of his own running mate, Senator Lloyd Bentsen of Texas.

About the farthest Mr. Dukakis was willing to go in characterizing Mr. Quayle was in response to a reporter who asked whether Mr. Bush's choice indicated that the Republican Party was driven by the right.

"I think that was a very clear signal that that's where the Republican Party is coming from," said Mr. Dukakis, standing with his wife, Kitty, and Mr. Bentsen and Mrs. Johnson on the tree-shaded lawn of the main house of the LBJ Ranch.

In other words, every time the question was put to him, Mr. Dukakis adamantly refused to make headlines on the issue, which his aides said was precisely the point.

"Hang back and let the Republicans deal with it themselves," said one campaign aide in describing the tactics of the week.

"Why should we get caught up in it?" asked another. "We knew it was all going to happen without us."

See DUKAKIS, Page 3

In Prague, 10,000 Protest '68 Invasion

Compiled by Our Staff From Dispatches

PRAGUE — About 10,000 people marched through Prague shouting "Freedom!" and "Russians go home!" on Sunday, the 20th anniversary of the Warsaw Pact invasion that crushed the changes of 1968.

Waving red, white and blue Czechoslovak flags, the demonstrators marched from St. Wenceslas Square after an impromptu rally where hundreds signed a petition calling for the withdrawal of Soviet troops, free elections, the abolition of censorship, democracy and human rights.

After about three and a half hours, the police attacked the crowd with riot sticks, beating scores of people and hauling them away in police vehicles, witnesses said.

Riot policemen also cleared people from the square where the demonstration had begun.

Many demonstrators chanted the name of Alexander Dubcek, who as the Czechoslovak Communist Party leader led the drive for the "Prague Spring" changes before Soviet-led Warsaw Pact troops invaded on Aug. 20-21, 1968.

In Moscow on Sunday, troops and policemen broke up a protest denouncing the intervention even before participants had a chance to unfurl their placards.

The Prague protest was the largest since 1969. The crowd roared "Freedom! Freedom!" and cheered and chanted as it marched from the square. Thousands of on-lookers joined them.

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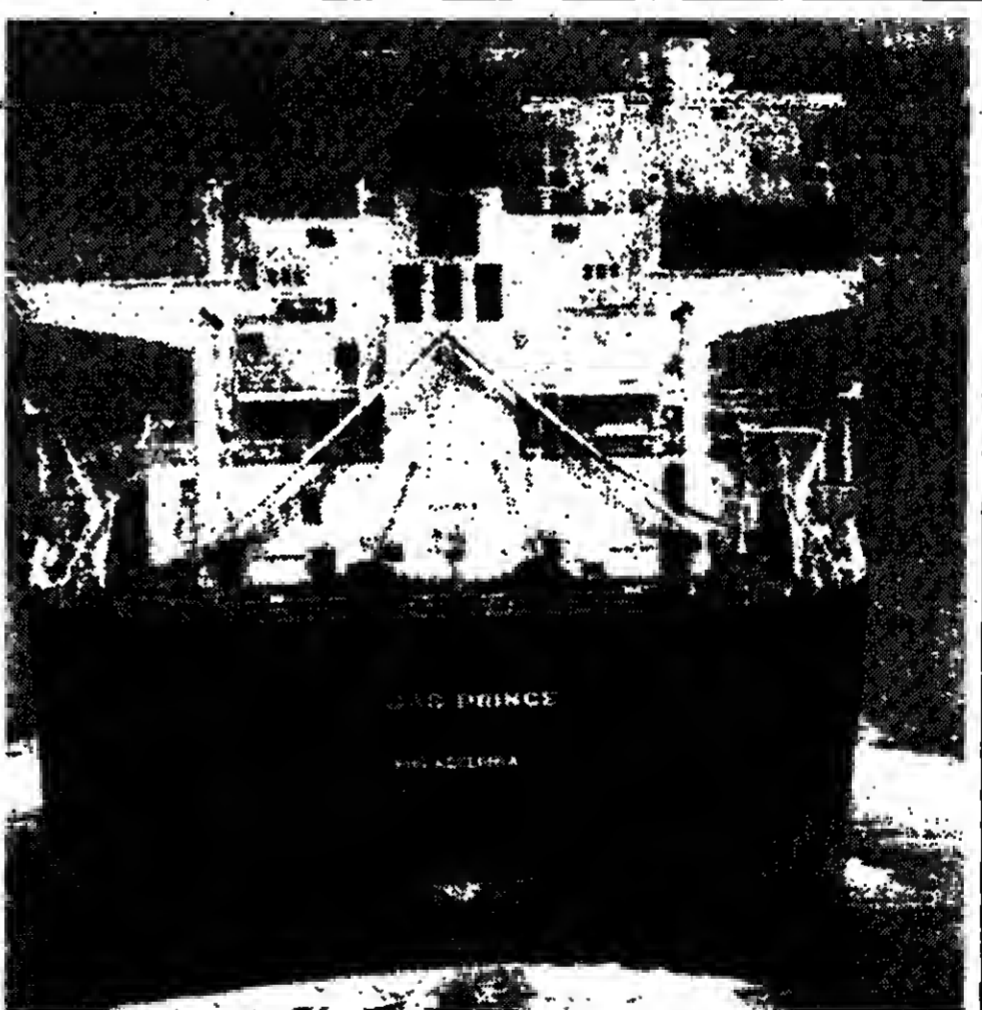
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Cease-Fire Is Taking Hold in the Gulf

As the cease-fire between Iraq and Iran began to take hold under United Nations supervision, a group of U.S.-reflagged tankers began moving down the Gulf on Sunday under U.S. Navy escort. Iran and Iraq complained of truce violations, but the UN commander on the scene said "both sides had shown a lot of restraint." Peace talks are scheduled to open in Geneva on Thursday. Page 2.

Kiosk

U.S. Diver Fails Olympic Quest

INDIANAPOLIS (UPI) — Bruce Kimball, a U.S. diver charged with killing two Florida teen-agers and injuring six while driving drunk, failed Sunday in his quest to earn a berth in the Seoul Olympics at the U.S. trials here.

Kimball's participation here prompted protests. He finished fourth in the competition Sunday.

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The Hunt brothers of Texas were found liable for \$134 million in a 1979-80 silver market deal. Page 7.

U.K. Weighs Internment After IRA Bomb Kills 8

By Steve Lohr
New York Times Service

BELFAST — The British government launched a wide-ranging review of its security arrangements in Northern Ireland on Sunday, a day after eight British soldiers were killed and 28 injured in an Irish Republican Army attack in the province.

The IRA bomb attack on an army bus near a British barracks in Omagh, 55 miles (90 kilometers) west of Belfast, touched off a debate in Britain over whether the government of Prime Minister Margaret Thatcher should move to round up the guerrilla leaders and intern them without trial. The bus was destroyed by a bomb that exploded on the roadside as it passed.

The assault Saturday also undermined the increasing effectiveness of the IRA campaign to target British soldiers in recent months. So far this year the outlawed IRA, which is dedicated to ending British rule in the province, has killed 26 soldiers in Northern Ireland, the British mainland and continental Europe.

The total compares with just three British soldiers killed by the IRA last year and is the highest figure since 1979, when 38 soldiers were killed, including 18 who died in a single attack in Northern Ireland hours after the IRA killed Lord Mountbatten.

Gerry Adams, president of Sinn Fein, the political arm of the IRA, recently said that attacks on British soldiers were deemed by the guerrillas to be "vastly preferable" to striking at the other branches of the security forces in Northern Ireland because the British Army is the most visible sign of what the IRA regards as an occupying force in the province.

The decision to take steps to try to tighten the already stringent security policy in the province was made during a two-hour meeting Saturday night between Mrs. Thatcher and Tom King, the secretary of state for Northern Ireland.

A British military official said only that the review would examine measures for increasing the safety of British troops and efforts to apprehend the IRA killers.

"We will be looking at both offensive and defensive security policy," he said.

Mr. King said that the possibility of reintroducing internment, a policy used in Northern Ireland from 1971 to 1975, was "under review."

Some politicians, led by pro-British Protestant representatives in the province, are now urging a selective return to internment of suspected terrorists.

"Internment is like a surgeon's knife—it must be used when necessary and used delicately," said Ken Maginnis, an Official Unionist member of parliament from Northern Ireland and his party's spokesman on security matters.

The Sunday Times said in an editorial that "if the introduction of selective detention, preferably by London and Dublin, is deemed right on security grounds, political considerations should not stand in its way."

But during the 1971-75 period, internment policy was judged to be a failure. Internment was installed in 1971 in response to violence that followed the killing of two Catholic youths in Londonderry by the British Army. Neither of the youths was an IRA member.

Many people believe that one of the strongest arguments against internment is that it seems to play into the hands of the IRA.

With an estimated 600 active regular fighters, the IRA stands no chance of a military victory against the British. Instead, their strategy for getting rid of the British presence relies on propaganda and guerrilla attacks. They hope that British public opinion and international pressure will convince London that holding on to Northern Ireland is not worth the effort.

To move toward that goal, the IRA and Sinn Fein must portray the British Army as an occupying force with the elements of repression that implies. Thus, forcing the government to adopt a policy of internment would be a propaganda victory for the IRA.

"I would urge the government

After 20 Years, Ideals Of Prague Bloom Anew

By Michael Dobbs
Washington Post Service

PRAGUE — Strolling around this beautiful but melancholy city 20 years after the Soviet invasion, a visitor is struck by an inescapable irony: invaders and invaded have swapped political roles.

When Soviet tanks rumbled through the streets of Prague on the night of Aug. 20-21, 1968, the cause of change in Eastern Europe was set back for a generation. Two decades later, the economic forces and political ideas that gave birth to the "Prague Spring" are bubbling to the surface again—not in Prague, but in Moscow.

The people who came to crush Alexander Dubcek's eight-month experiment in "socialism with a human face" have now embarked on changes of their own. The people whose hopes were dashed on that dramatic August night have become resigned.

The invasion of Czechoslovakia was a watershed for the Soviet bloc, leading to what the Soviet leader, Mikhail S. Gorbachev, refers to caustically as "the era of stagnation." A four-week journey through Eastern Europe two decades after the invasion suggests that another important threshold looms as a new generation of leaders grapples with the poisoned legacy of its predecessors.

Signs of economic failure abound. In Warsaw, lines snake around buildings for basic consumer goods, and black markets offer to buy dollars from tourists at four times the official rate. In Prague, the crumbling facades of baroque palaces are sooty from air pollution. In Budapest, economists worry about paying off one of the highest per-capita debts in Europe.

Economic strains have undermined the unspoken social contract that kept Eastern Europe politically quiescent through the 1970s. After the invasion of Czechoslovakia, Communist regimes sought to im-

prove the living standards of their populations. The quid pro quo was political obedience and no discussion about economic change.

Conversations with Communist officials, dissidents and others across Eastern Europe reveal a surprising measure of agreement on the need for radical change.

"The most interesting characteristic of the present situation is that real, unprejudiced changes are taking place in the Soviet Union," said Peter Hardi, director of the Hungarian Institute of International Affairs in Budapest. "This could alter the whole framework of East European politics."

Alexander Paszynski, a Polish journalist who lost his job when

'1968 was not exceptional. It was only exceptional in the way it ended.'

Miroslav Pavel, the Czechoslovak government spokesman

marial law was imposed in December 1981, said: "For the first time, something is happening at the altar. Before, it was just at the back of the church."

Mr. Paszynski is typical of a generation of East Europeans who have witnessed the blossoming and withering of successive movements for change.

Today, at the age of 60, Mr. Paszynski, the former deputy editor of the Polish weekly *Polytika*, can be forgiven for listening somewhat skeptically to General Wojciech Jaruzelski's calls for a radical "restructuring" of Poland's economy. The only solution now, many say, is to accept that the Commu-

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British Aerospace Chairman Cites Europe's New Strategy

Roland Smith, chairman of British Aerospace PLC, argues that European firms are poised to take an increasing share of the multibillion-dollar arms and aerospace market from U.S. conglomerates. BAE, which produces fighter aircraft, civilian jets, missiles and satellites, recently acquired Rover Group PLC, the leading British automaker. Mr. Smith spoke on topics likely to be discussed at the Farnborough Air Show, which opens Sept. 4 near London, with Warren Getler of the International Herald Tribune.

Q. Britain, and indirectly, British Aerospace, won a record order for military equipment last month in a deal with Saudi Arabia estimated at \$25 billion to \$30 billion. Why do you think Riyadh chose British and European-built Tornado fighters and other equipment over American competition?

A. I'm bound to believe that the equip-

ment is superior. The avionics on the Tornado is pretty successful and advanced relative to competition. The equipment is well tried in Saudi climatic and technical conditions.

Q. American competitors say their hands are tied by the U.S. Congress's sensitivities toward Israel when it comes to landing orders in the Middle East. Has the British government played a major role in promoting arms exports to countries in that region?

A. There's always been, of course, a very solid British presence in the Middle East. But in the end, relationships are one thing — you've got to have products and services to fulfill that relationship. Clearly the British government is quite supportive and helpful.

Q. With the prospective resolution of the Iran-Iraq war, will the market for arms worldwide plateau or will demand continue apace?

A. Let's be clear. British Aerospace has not supplied arms to either Iran or Iraq. Whilst there is a lowering of tension in one or two regions of the world, in the Middle East, Afghanistan, southern Africa, I think it will take a while before there is any change in defense equipment levels. It will take a long time for trust and confidence to be restored such that we'll see a reduction in conventional arms.

Q. Do you see European firms cornering a bigger share of the world market for arms against American competition?

A. I think that we're tending to take a bigger role in the Middle East in terms of market share and quantity. That is simply building on success that we've already got there. The French are taking less and we're taking more in that region. The Americans are clearly dominating South America. The area where I think we're likely to take more market share is the Pacific basin. The British government

is in negotiations with a country in Southeast Asia, but they've yet to sign the actual deal itself.

Q. Do you expect that the European Airbus consortium, of which BAE is a member, will decide at the Farnborough Air Show to cooperate with McDonnell Douglas Corp. on a new long-range civilian jet that will compete against market leader Boeing Co.?

A. I would be doubtful about that. We shall wait and see. It just depends on how much champagne is flowing. Airbus has focused on a very successful strategy — both in marketing terms and product range — and it ought not to be deflected into any sort of dilution of that strategy. If we were to go along with McDonnell Douglas, I think there would be an element of dilution. That's why I don't really think — despite all the maneuvers — that such cooperation will ever happen. Q. You've said before that management of Airbus is in need of a major shake-up

and that its accounting procedures also require an overhaul. Is that being done?

A. We've been making some progress and there's a meeting fairly soon. Each time that the partners meet, more changes are taking place and there's more control in managerial terms, not just financial, but also production and quality and so on, which is what you'd expect for a very large business like this. At this upcoming meeting, the question of moves and personnel changes will be discussed.

Q. Airbus has racked up huge losses since its inception. Will British Aerospace ever withdraw from the consortium, which includes West German, French and Spanish firms?

A. No, I don't think that would be the case. There is no likelihood of British Aerospace withdrawing. What we have to do is stick in there and make it more efficient, and we've got to live with it and make it more profitable, or get into profit. I think Airbus can be in profit by the middle 1990s.

WORLD BRIEFS

22 Killed in India's Sri Lanka Sweep

COLOMBO (AP) — At least 22 persons have died in northern Sri Lanka during a major search operation by Indian troops for Tamil separatists, officials said here Sunday as the search entered its sixth day. Thousands of heavily-armed Indian troops backed by helicopter gunships destroyed a dozen Tamil rebel bunkers in the thickly wooded Wanni jungles, the officials said. Velupillai Prabhakaran, leader of the dominant Tamil separatist group, the Liberation Tigers of Tamil Eelam, is believed to be hiding in the area, an Indian source said.

The Indian High Commission, or embassy, confirmed here Sunday that the search operation was continuing and said that the worst fighting was on Thursday when 11 guerrillas were killed and nine were seriously wounded. An Indian Army officer and seven soldiers are missing after a battle, a spokesman said. According to an official count, 16 separatists, two Indian soldiers, a Sri Lankan Army officer and three civilians have died since the operation began Monday.

Yugoslavs Demonstrate Over Kosovo

TITOGRAD, Yugoslavia (Reuters) — More than 20,000 Serbs and Montenegrins demonstrated over the weekend against what they said was persecution by ethnic Albanians in Kosovo. The protest Saturday in the main square of Titograd, capital of the republic of Montenegro, was the first protest of its kind outside Serbia.

A speaker told the crowd that Kosovo's non-Albanian population had been hounded. "This is a question of persecution and genocide," he said. The crowd responded by shouting: "We want arms! We want arms!"

Kosovo, an autonomous province of Yugoslavia's biggest republic, Serbia, has a population of 1.7 million ethnic Albanians and about 200,000 Serbs and Montenegrins. More than 30,000 Serbs and Montenegrins have fled Kosovo since Albanian nationalist riots in 1981.

Moscow to Increase Consumer Goods

MOSCOW (Reuters) — The Soviet government has unveiled an emergency plan to improve production of consumer goods, acknowledging that continued shortages had generated serious popular discontent. The government is ordering sharply increased output of items ranging from raincoats and women's hosiery to cars, freezers, refrigerators, televisions and video recorders.

The plan, published in all major newspapers on Sunday, came after the acknowledgment by a Soviet economist last week that the standard of living in the Soviet Union could rank as low as 60th in the world.

In an official resolution, the government said the Kremlin's personnel and restructuring, drive had failed to eliminate shortages of items as basic as clothing and shoes or to improve the quality of goods on the market. "This has a negative impact on people's attitudes toward present-day conditions and their trust in the reality of the planned transformations," the resolution said, warning that the situation was creating "serious dissatisfaction among the people."

U.S. Veterans' Agency Is Under Fire

WASHINGTON (AP) — Veterans Administration lawmakers frequently made wrong decisions on veterans' disability claims in haste to make themselves look good and win pay bonuses for meeting production quotas, House investigators said Sunday.

The House Government Operations Committee cited testimony by former officials of the agency that some disability cases had been processed in only eight minutes to meet the quotas. It said the agency failed to cover up its mistakes by deliberately under-reporting the error rate to committee investigators.

The agency pays out \$1 billion in disability benefits annually to 3.5 million veterans, widows and children. Although some veterans were improperly denied benefits under the agency's error-plagued system, others may have received money to which they were not entitled, according to committee staff members.

Cambodia Lists Changes in Cabinet

BANGKOK (Reuters) — Cambodia has announced a cabinet shake-up involving 11 posts and a decision to abolish the office of the minister responsible for economic and cultural ties with Communist countries.

Phnom Penh radio, monitored in Bangkok, said the changes were made Saturday during a meeting of the Council of State led by President Heng Samrin.

In one of the major shifts, the radio report said the former minister of communications, transport and posts, Teo Bant, was named as deputy premier and defense minister, replacing Koy Buntha, who moved to a less-important job as minister for social action and war invalids. The radio also said the council dissolved the office of minister of economic and cultural cooperation with foreign countries, which included Vietnam, Laos, the Soviet Union and other Communist nations.

Carter Meets PLO Official in Cairo

CAIRO (AP) — Former President Jimmy Carter met with a senior official of the Palestine Liberation Organization in Cairo last week, an Egyptian Foreign Ministry official said.

The two, speaking Saturday, said the former U.S. president met for two hours Friday night with Hani al-Hassan, a political adviser to Yasser Arafat, the PLO chairman. Mr. Carter left Cairo Saturday for London, where he spent the night before leaving for the United States.

The Cairo sources said Mr. Carter and Mr. Hassan had an "extensive review" of Palestinian issues, but they gave no details. They said the talks were at a presidential guest house where Mr. Carter stayed.

UN Officials Report Cease-Fire in Gulf Is Holding Up Well

By Alan Cowell
New York Times Service

CAIRO — Iran and Iraq traded accusations of cease-fire violations Monday, but United Nations officials supervising the second day of their truce said it was holding.

At the same time, Baghdad and Tehran remained locked in a dispute over shipping rights in the Gulf, where Iran said it intercepted an Iraqi merchant vessel to search for war supplies.

UN officials, meanwhile, withheld formal confirmation of reports by shipping executives in the Gulf that two vessels flying the UN flag were patrolling the waterway.

The shipping executives' reports were the first to mention a UN naval presence in the region. The United Nations already has a 350-man force from 24 nations monitoring the cease-fire along the 740-mile (1,200-kilometer) land border between Iran and Iraq.

The cease-fire went into effect at 7 A.M. Saturday, signaling a halt to eight years of hostilities that are estimated to have cost one million lives and consumed more than \$200 billion.

"The cease-fire is operational," Major General Slavko Jovic, the Yugoslav commander of the UN monitoring force, said in Baghdad. He said he had "no information about violations, and everything is going very fine."

The Yugoslav officer was responding to charges by both sides that the cease-fire had been broken. Iran accused Iraqi soldiers of firing a volley of "small-caliber bullets" in the presence of UN observers along the cease-fire line.

The official Iraqi press agency, meanwhile, said an Iranian sniper had shot and killed an Iraqi private along the central part of the cease-fire line. The incident was said to have occurred just three hours after the UN-sponsored cease-fire went into force.

Each side denied the other's accusations.

The cease-fire is part of a UN

Security Council resolution, passed in July 1987 but only recently accepted by Iran, that urged the combatants to call a truce and hold direct peace talks. Talks are due to start in Geneva on Thursday.

Additionally, the UN resolution envisaged an exchange of prisoners and the establishment of an impartial body to determine responsibility for the conflict. Iraq invaded Iran on Sept. 22, 1980, but has maintained that the war started when Iran took provocative action along the frontier on Sept. 4, 1980.

Since then, the conflict has spilled into the shipping lanes of the Gulf. Iraq's ports in the northern part of the waterway were closed in the early stages of the war, forcing Baghdad to reroute the oil exports that fueled its war effort through pipelines and by land.

Iran, however, continued to use its Gulf terminals to export oil. Iraq sought to sever Iran's flow of oil in the so-called tanker war.

As the cease-fire went into force, Iraq, seeking to test the truce, sent a merchant vessel, the Khawla, through the Strait of Hormuz, and into the Gulf. The ship was thought to be the first Iraqi vessel in almost eight years to run length of the Gulf shipping lanes.

Iran says it has the right under international law to search for war supplies on vessels that are bound for Iraq.

The Iranian press agency said Sunday that the Khawla had been searched and permitted to proceed, but the Iraqis said the search never took place.

Iraq's foreign minister, Tariq Aziz, reportedly protested to the United Nations that Iran had sent a helicopter to buzz the merchant vessel. The Iraqi official was said to have reported that Baghdad would resist Iranian interceptions.

Shipping executives in the Gulf had few details to offer about the reported UN naval presence. They said one of the vessels seemed to be a speed boat. They said that one was patrolling in the Strait of Hormuz and that the other, much faster or other, had been deployed in the Shatt-al-Arab waterway separating Iran and Iraq on the south of the war front.

U.S. Forces to Stay

A White House official said Sunday that the United States was not prepared to withdraw all of its naval forces from the Gulf despite the cease-fire between Iran and Iraq, Reuters reported from Washington.

The official was responding to questions about a Soviet government statement that the cease-fire had removed all justification for the presence of foreign warships in the Gulf.

The statement, published on Sunday by Tass, the official Soviet press agency, said Moscow would withdraw its naval forces from the Gulf immediately if other countries did likewise.

"The United States has had forces in the Gulf since 1949," the U.S. official said. "We will certainly continue to have some forces there."

"We will draw them down when there are signs the cease-fire is holding and there is no further threat to U.S. flag ships," he said, "but the United States has interests in the region and will maintain its presence in the future."



The wreckage from a car bomb that exploded Sunday near a Syrian checkpoint in West Beirut, wounding at least 14 people.

Israelis Arrest 4 Arabs in Haifa Attack

Compiled by Our Staff From Dispatches

JERUSALEM — The Israeli police said Sunday they had arrested four Palestinians in connection with a grenade explosion that wounded 25 people in a crowded shopping center in Haifa.

Yaacov Haviv, the Haifa police chief, said the police were convinced that the attack on Saturday was the work of Palestinian nationalists. Three of the four detained suspects were seen fleeing the scene.

Officials at two Haifa hospitals said 10 people were still being treated, most of them for light wounds. An 8-year-old boy who had one leg amputated below the knee and his 20-month-old brother were in serious condition, doctors said.

The blast occurred outside a toy store, blowing out the store's window and spraying shrapnel into a nearby coffee shop.

In the occupied territories, Israeli soldiers shot and killed two Arab protesters on Sunday as Palestinians staged a strike to mark the 19th anniversary of an attempt to burn down Al Aqsa Mosque in Jerusalem.

The order was part of a package of 22 measures decreed Saturday to put into effect King Hussein's decision on July 31 to sever financial and administrative ties with the West Bank of the Jordan River for the first time in nearly 40 years.

Most of the Palestinians in the West Bank have been holding Jordanian passports valid for five years, and residents of the Gaza Strip have held three-year passports.

■ Car Bomb in Beirut

A car rigged with explosives and hand grenades blew up near a Syrian checkpoint in Moslem West Beirut on Sunday, Reuters reported from Beirut.

The police said a Syrian soldier was among those wounded in the blast, which was apparently an attack on Syria's 25,000-strong military force in Lebanon.

Burmese Protesters Call for Strike To Demand End to One-Party Rule

Compiled by Our Staff From Dispatches

BANGKOK — Up to 2,000 demonstrators rallied in Rangoon on Sunday to support a planned nationwide strike Monday demanding an end to one-party rule, an Asian diplomat in the Burmese capital said.

The general strike was called by student leaders to challenge U Maung Maung, who became president and head of Burma's ruling party Friday. He replaced U Sein Lwin, who was appointed president July 27 and was forced from office Aug. 12 after violent demonstrations in which hundreds of people

were estimated to have been shot to death by the military.

U Maung Maung, a Western-educated lawyer, is Burma's first civilian leader since a 1962 military coup, but student leaders were not satisfied with his choice.

The Asian diplomat told The Associated Press that many middle-class Burmese and intellectuals favored compromising with the government of U Maung Maung, who is seen as a relative moderate and more widely acceptable than the military officers who dominated the top government and party ranks. U Maung Maung, 66, was attorney general before taking power.

But many workers do not accept the new government, partly because U Maung Maung is little known to them, the diplomat said.

The diplomat said the government was unlikely to bow to demands for multiparty rule after a quarter-century of tight control by the Burma Socialist Program Party. The founder of the party, General Ne Win, led the 1962 coup that toppled the elected government.

Meanwhile, the Burmese state radio said that the authorities had released 100 more people arrested in the anti-government demonstrations from Aug. 8 to Aug. 12, bringing the total freed since Tuesday to 418.

The authorities have not said how many were arrested nationwide, but Rangoon diplomats have said that the number runs into the thousands. (AP, AFP)

■ Corruption Is Conceded

Earlier, Seth Mydans of The New York Times reported from Bangkok: The Burmese government has sought to buy time from its restive population with the publication of extensive self-criticism and a plea for time to explore economic and political restructuring.

Part of the description was an official acknowledgment that the government had been unresponsive and corrupt.

Newspapers carried reports of speeches Friday by U Maung Maung and the vice president, U Aye Ko, appealing for calm and urging officials to abandon widespread corruption and to be more responsive to public needs.

The speeches made it clear, however, that the government hoped to address the grievances of demonstrators within the current one-party system.

"Our request to you is to give us a suitable amount of time so that we can work harmoniously and in peace and tranquility," U Maung Maung was quoted as having said.

ETA Blamed As 2 Die in Spain Blast

ESTELLA, Spain — A bomb thought to have been planted by Basque separatists killed two civil guards on Sunday, a civil guard spokesman said. It was the third bomb attack in three days after a truce offer.

The guards were driving through the town of Estella near the Basque country in the northeast of the country when a car bomb exploded Sunday. A woman and her 2-month-old son were wounded.

On Friday, five civil guards and two passers-by were wounded in two separate bomb attacks that a civil guard spokesman said were also the work of ETA, the Basque separatist organization.

Those attacks came a day after the group repeated a seven-month-old offer of a truce and talks to end its 20-year fight for an independent Basque state. "Whatever they may say," an Interior Ministry spokesman said, "it does not seem like they have much desire to end their violence or start peace talks."

The government has not replied to the truce offer, but Justice Minister Enrique Mugica repeated on Saturday that the government would not consider talks until the separatists halted their attacks and freed Emiliano Revilla, an industrial kidnapped six months ago.

ETA

ETA Blamed

As 2 Die in Spain Blast

TRAVEL UPDATE

Visitors to China will soon be able to visit a satellite launching center in Xichang in Sichuan Province. As a means of obtaining more foreign currency, China is opening more areas to tourists. In Liangshan, also in southwest China, tourists can already visit a launching pad and see a Long March 3 carrier rocket, the Xinhua press agency said. (AP)

A Turkish Airlines flight to New York on Sunday was the first commercial flight to the United States for Turkey's national airline. Regular flights from Istanbul to New York, via Brussels, will depart on Fridays and Saturdays, officials said. (AP)

Air-traffic controllers in Barcelona voted Saturday to call off planned strikes that would have stranded thousands of travelers. A union leader said the strikes were called off after two-thirds of the controllers backed an agreement negotiated between union leaders and the government on Saturday. The controllers had threatened to call strikes Aug. 27, Aug. 30 and Sept. 3 over pay and working conditions. (Reuters)

This Week's Holidays

- MONDAY: Bahrain, Lebanon.
 - TUESDAY: Bahrain, Iraq, Romania.
 - WEDNESDAY: India, Liberia, Romania.
 - THURSDAY: Jordan, Paraguay, Uruguay.
 - FRIDAY: India, Sri Lanka.
 - SATURDAY: Hong Kong.
 - SUNDAY: Philippines.
- Source: Morgan Guaranty Trust Co., Reuters.

Correction

Because of an editing error, the president of Burma was incorrectly identified in the Aug. 20-21 editions. He is U Maung Maung.

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Pentagon High-Tech For U.S. a

WASHINGTON —

Secretary of Defense Frank B. Rowland announced on Monday that the Department of Defense will begin to accept bids for the purchase of 100,000 microcomputers and 100,000 modems by the end of the fiscal year.

Rowland said the purchase is part of a strategy to modernize the military's communications system.

He said the computers and modems will be used to improve the Department's ability to manage its operations.

The purchase is expected to save the Department about \$50 million, he said.

The computers will be used to manage the Department's financial, personnel and operations systems.

Rowland said the purchase is part of a broader effort to modernize the Department's information systems.

Plot Alleg

CAIRO — An Egyptian operation by Egyptian soldiers to hunt for a U.S. missile technology transfer, for shipment to Cuba, reportedly resulted in three arrests in Cairo, it was learned in the Egyptian defense ministry.

The U.S. State Department said it was looking for information about the alleged plot as a way to stop the shipment.

The alleged plot, which was complicated by U.S.-Egyptian relations, apparently was set in motion in the months immediately before an official visit to Washington by the defense minister in March.

During the visit, Marshal Abu Ghazala, a supporter of strong ties with the United States, signed a 10-year memorandum of understanding with Defense Secretary Frank C. Carlucci giving Egypt — the United States and Sweden — special status as a strategic ally outside of the North Atlantic Treaty Organization.

An official familiar with the current annual investigation into the case said that State Department officials regarded the case as so serious that they persuaded Justice Department officials to delete all references to Marshall Abu Ghazala in a 36-page prosecutive summary filed publicly in U.S. District Court in Sacramento, California.

According to an official close to the case, State Department officials took the position that unless the Justice Department had evidence strong enough to bring up in court, the case should be dropped.

U.S. Justice Department officials said they should be spared the embarrassment of public references in the case to the authority of the State Department official who declined to comment.

The Justice Department spokesman, Patrick S. Korman, declined to comment specifically on the case, but he said — any time the department undertakes a case that has diplomatic or international aspects — it is with the United States Department.

But he added, "The final decision on what to include in any indictment or how to proceed with any investigation or prosecution are made based on the law and the Justice Department guidelines for federal prosecutions.

Asked to comment, a spokesman for the Egyptian Defense Ministry pointed out that legal documents in both Egypt and the United States

Pentagon Studying High-Tech Buildup For U.S. and NATO

By Molly Moore
Washington Post Service

WASHINGTON — While the Soviet Union was showing Defense Secretary Frank C. Carlucci its newest bombers, ships and tanks outside Moscow early in August, a Pentagon team was engaged in full-scale computerized war game, defending against a simulated Soviet attack on Western Europe.

It was a \$500,000 test of a year-long Pentagon effort to find new ways to deal with the Soviet military threat. And it was carried out at a time when the Kremlin was debating the future role and composition of its armed forces, according to senior Defense Department officials.

Hunched over computers and long pages of numbers, about 70 U.S. experts on weapons and strategy pitted B-2 Stealth bombers, drone aircraft and Tomahawk cruise missiles against the best of the Soviet Union's weapons and tactics.

The strategists added "smart" weapons with greater accuracy, more long-range missiles, remotely piloted aircraft and improved communications systems to the arsenal of the North Atlantic Treaty Organization.

When the six-day simulated battle was over, Pentagon specialists declared that the "Blue Team," representing the United States and its NATO allies, had defeated the "Red Team," representing the Soviet Union and its East European allies of the Warsaw Pact, according to a Pentagon official familiar with the secret operation.

The results of the paper war will be incorporated in a report to be given to Mr. Carlucci later in August, recommending changes in weapons and strategy for the United States and NATO.

These are among several key high-technology weapons programs that the Pentagon proposal recommends the United States and its NATO allies concentrate on developing and improving to take advantage of Soviet vulnerabilities: • Stealth technologies for bombers, fighter planes and cruise missiles, which help the aircraft and missiles evade radar detection longer than traditional aircraft and missiles.

• Drone aircraft for reconnaissance missions and platforms for weapons, to reduce loss of life on combat missions.

• Sophisticated radars and sensors like the Joint Surveillance and Target Attack Radar System, which is designed to detect enemy armor movements beyond the battlefield and assist ground and air forces in attacking tanks before they reach the front lines.

The plan also puts heavy emphasis on strengthening NATO's communications and intelligence-gathering systems and on making wider use of some low-technology weaponry, like mines.

Senior Pentagon officials said the report would be intended to help Mr. Carlucci and Pentagon planners reshape high-technology research and weapons-buying programs in the next military budget.

The officials said they hoped the proposals would also be used as a blueprint for the next 5 to 15 years, regardless of which political party controlled the White House.

The proposals conform with recommendations of a senior advisory commission's January report to President Ronald Reagan that future U.S. arms procurement should concentrate on a greater assortment of precision conventional weapons rather than more nuclear weapons.

The proposals have been endorsed in general by the Joint Chiefs of Staff, but even if accepted by Mr. Carlucci, they face a battery of political and military debates.

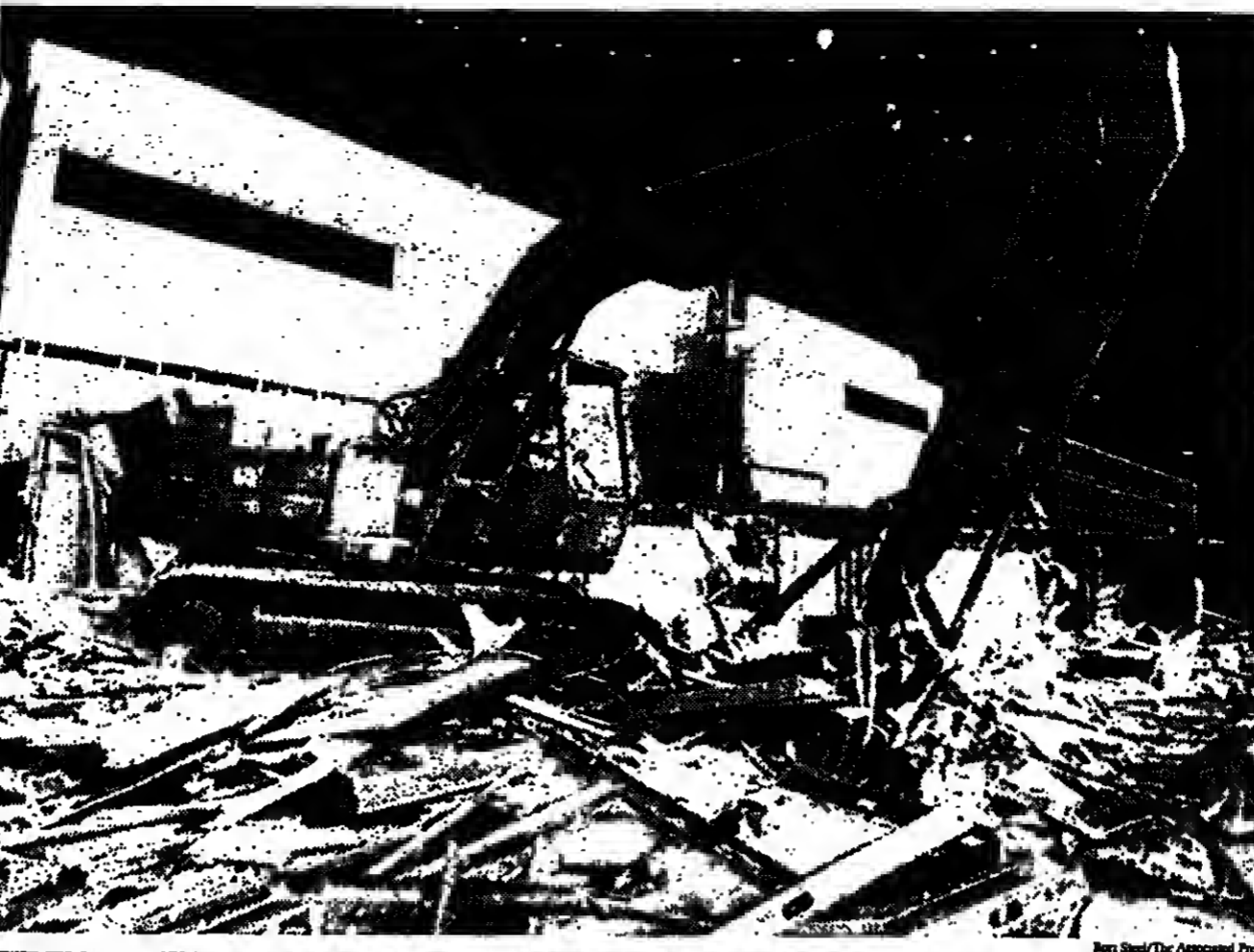
Some of the proposals are likely to encounter opposition from individual services. The air force, for example, has resisted attempts to increase the use of unmanned aircraft, a trend that could mean fewer pilots in a service dedicated to flying.

In addition, many high-technology programs supported by the plan are among the most controversial, costly and troubled in the military, like the Stealth and drone aircraft.

Some congressional officials argue that the study's recommendations of exploiting the adversary's weakness are self-evident, and they question why the Pentagon spent the time and money for the study in the first place.

The study was defended by Dennis Kloake, deputy assistant secretary of defense for planning and resources, who is the program's chief architect.

"It is valuable, he argued, because it goes against the traditional norm of pitting strength against strength."



THE FINAL GAVEL — The podium used during the Republican National Convention last week being demolished in New Orleans.

Reagan Praises Quayle Amid Worry About the Senator's Rocky Start

By Steven V. Roberts
New York Times Service

SANTA BARBARA, California — After staying out of the political spotlight at his California ranch most of last week, President Ronald Reagan praised the "energy and enthusiasm" of Senator Dan Quayle of Indiana, the Republican nominee for vice president.

But Mr. Reagan's endorsement, delivered Saturday in his weekly radio address, could not mask an undercurrent of uneasiness at the White House over the troubled start of Mr. Quayle's campaign.

A White House official, referring to questions about Mr. Quayle's military service, said: "I don't think Dan has handled it very well. Nobody should get in an argument with the TV networks."

"He's nervous," the aide said of Mr. Quayle, 41, who is getting his first taste of national exposure. "He's been thrust into a tough situation."

In his address, Mr. Reagan made no mention of suggestions that Mr. Quayle had used influence to get into the national guard and avoid possible combat duty during the Vietnam War.

"Dan shares with George Bush and me a vision of an America and a world no longer threatened by the specter of nuclear attack," Mr. Reagan said. "That's why Dan has labored with conviction for the Strategic Defense Initiative."

Although citing the senator's support for the "star wars" program to develop a space-based missile defense, the president made no mention of Mr. Quayle's strong criticism of the treaty that Mr. Reagan signed with Mikhail S. Gorbachev, the Soviet leader, in December banning intermediate-range nuclear weapons.

Mr. Quayle eventually voted for the treaty when the Senate approved it.

Republicans want the issue of U.S. military strength to play a primary role in the fall campaign, and White House aides say that Mr. Quayle strongly urged the president several weeks ago to veto a military spending bill as a way to highlight the issue.

Mr. Quayle, a member of the Armed Services Committee, was among a group of Republicans who debated the issue in front of the president at a heated White House meeting. A few days later, the bill, which included a cutback for the Strategic Defense Initiative and several other reductions that Mr. Reagan objected to, was vetoed.

White House aides said the speech praising Mr. Quayle, which was drafted early last week, was not altered after the questions about his military record were raised during the Republican convention in New Orleans.

The aides have been in close consultation with the Bush campaign, and the speech apparently reflected a joint decision to stand behind Mr. Quayle and try to ride out the controversy.

DUKAKIS: A Low Profile

(Continued from Page 1)

and there was no benefit we could see from jumping into the fray."

Mr. Bentsen, meanwhile, was pursuing the same cautious strategy as he visited 16 cities in Texas over nine days.

While the Republicans were meeting in New Orleans, Mr. Dukakis zig-zagged from Boston to Minnesota, Florida, Alabama, Missouri, Illinois, Arkansas and Texas.

In Birmingham, he made his strongest appeal yet to the black voters who have been slow to come to his campaign. In Minnesota, he addressed his message to blue-collar workers whose plants have closed or are in danger of shutting.

And on a train ride through Missouri and Arkansas, he sent a message of conservative fiscal management to the right-wing Democrats who defected in droves in 1980 and 1984.

For each leg of the trip, there was the memory of a distinguished figure to evoke. On the train ride, it was Harry S. Truman. In Birmingham, it was the Reverend Martin Luther King Jr.

Plot Allegation Clouds U.S.-Egypt Ties

By Patrick E. Tyler
Washington Post Service

CAIRO — An alleged operation by Egyptian agents in the United States to acquire advanced U.S. missile technology illegally for shipment to Cairo, which resulted in three arrests in June, may be linked to the Egyptian defense minister, Field Marshal Abdel-Hamid Abu Ghazala, according to a U.S. official.

The linking of Marshal Abu Ghazala to the operation is said to be based on interpretation of intercepted telephone conversations in which references to "the minister" were used by other Egyptian military officers involved in the alleged plot as a way to expedite shipment.

The alleged plot, which has complicated U.S.-Egyptian relations, apparently was born in the months immediately before an official visit to Washington by the defense minister in March.

During the visit, Marshal Abu Ghazala, a supporter of strong ties with the United States, signed a 10-year "memorandum of understanding" with Defense Secretary Frank C. Carlucci giving Egypt — like Israel, Australia and Sweden — special status as a strategic ally of the North Atlantic Treaty Organization.

An official familiar with the current criminal investigation into the matter said that State Department officials regarded the case as so sensitive that they persuaded Justice Department officials to delete all references to Marshal Abu Ghazala and his office from a 36-page investigative summary filed publicly in U.S. District Court in Sacramento, California.

Among the sensitive material the agents allegedly tried to spirit out of the country on Egyptian military cargo planes was 432 pounds (196 kilograms) of "carbon-carbon" fiber matting, which can be used as a protective coating for missile warheads and rocket motor nozzles and as a radar-absorbing outer layer for "stealth" aircraft. Such planes are shielded to make them difficult to detect electronically.

U.S. Defense Department analysts, who are assisting federal prosecutors in the case, have said that it appeared that Mr. Helmy "have not made the slightest mention" of any involvement by the defense minister.

The spokesman defended Egyptian officers involved, saying their actions amounted to "nothing more than a procedural mistake of neglecting to obtain an export license for a material that can be purchased on the open market in the United States, and which is used in nonmilitary fields besides the military domain."

Two Egyptian military officers, one of them attached to the Egyptian Embassy in Washington, were named in a criminal complaint filed June 23 in U.S. District Court in Sacramento. The complaint alleged that they conspired with an Egyptian-born U.S. rocket scientist, Abdelkader Helmy, and other Egyptian agents to violate U.S. export-control laws. Mr. Helmy, his wife, Albia Eltayeb Helmy, and James Huffman, an aerospace company employee, were arrested.

The operation was alleged to have been directed on a day-to-day basis by a Colonel Hussain Youssef of Egypt, who U.S. officials said supplied his agents with long shopping lists for rocket-fuel chemicals, propulsion hardware, telemetry tracking equipment and assembly plans that one defense analyst described as "a complete package to build or upgrade a tactical missile system." Colonel Youssef was said to have been based in Salzburg,

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Koreans Set More Talks At Frontier

New York Times Service

PANMUNJOM, Korea — North and South Korea again failed to progress in their second day of talks on Saturday at this border village, but both sides said they would meet again on Monday to discuss terms for a joint parliamentary meeting.

South Korea proposed a special meeting to discuss the North's role in the Seoul Olympics in September, but the North appeared set against taking part and held out instead for a larger meeting on a range of topics.

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OPINION

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Missions and Omissions

"I am a man who sees life in terms of missions," Vice President George Bush said as he accepted the Republican nomination for president in a speech with two missions: to set himself apart from Ronald Reagan and to set himself apart from Michael Dukakis.

instance, troubled children, may strike some people as "insufficiently tough." Well, he said, "I want a kinder, gentler nation."

Baker Deserves Credit

In his three and a half years as secretary of the U.S. Treasury, James Baker sharply changed the administration's ideas about the dollar and world trade. As he now leaves the cabinet to manage his friend George Bush's campaign, he can properly claim to have left the country's economy less vulnerable to disaster than he found it.

much reliance on devaluation and not enough on reducing the federal budget deficit. Mr. Baker understood perfectly the direct connection between the budget deficit and the trade deficit.

Mandela: It's Not Too Late

There may be no person, certainly no prisoner, anywhere whose condition is more closely watched than is Nelson Mandela. The leader of South Africa's leading black nationalist organization, the African National Congress, he is 70 and has been under treatment by government doctors, apparently for tuberculosis.

he continue, as he has vowed to continue, his efforts to free his people. The government spurred his efforts to change the apartheid system peacefully and then sentenced him to jail for life in 1964 on charges of trying to overthrow apartheid rule.

Other Comment

Botha Should Let Him Go When Nelson Mandela entered prison 26 years ago his name elicited blank stares outside South Africa. Today his name is an incantation to stir anti-apartheid troops.

South African president would be wise not to drive too hard a bargain. — The Times (London).

After Zia, Maybe Bhutto — and Then What?

By Mahnaz Ispahani

NEW YORK — The sudden death of President Zia ul-Haq, the graying soldier of Islam, has advanced Pakistan's political drama one more grim step. The president's legacy is a house divided. Now the military must decide, as civilian politicians must ponder, their role in politics.

There has always been an unfulfilled democratic air about the political culture of Pakistan. With General Zia gone, Benazir Bhutto, a smattering of moribund politicians and a host of young bloods (mostly unknown in the West) are the likely tribesmen of a return to party participation.

The Pakistanis can consolidate their ignoble political past or choose a real and rattling adventure in democracy.

Afghan refugees, by more than half a million drug addicts and by strains with India. His long tenure was due to shrewd politicking, the support of middle-class and traditional conservative constituencies, good harvests and, of course, the respect of the army.

Mahnaz Ispahani frequently writes on South Asian, Central Asian and West Asian affairs. This comment was contributed to The New York Times.

A Fortress Won't Help Europeans

By Robert D. Horvath

NEW YORK — The date now set for the economic unification of the 12 countries of the European Community is 1992. Not since Napoleon's quest to unite Europe has anything so ambitious been attempted.

Americans should welcome the historic effort. A more prosperous European Community not only will be a better market for the United States but will strengthen the democratic world politically. Regrettably, however, America's enthusiasm must be tempered. Currently, there is a danger that the effort to create a unified market could harm to Europe's trading partners.

But statements from across the Atlantic raise questions about how a single market will affect the United States. Willy De Clerq, the community's commissioner for external relations, was reassuring when he said recently that the goal was not to create a "Fortress Europe" but to create a negotiating lever to promote worldwide trade liberalization.

Several other issues concern external trade relations. Will European companies that become exposed to greater competition because of lower barriers in Europe try to block lower barriers vis-à-vis the rest of the world to protect themselves from intensified U.S. and Asian competition?

The writer, an investment banker, was U.S. assistant secretary of state for economic and business affairs in 1981 and 1982. He contributed this comment to The New York Times.

Losing Half The Battle of New Orleans

By David S. Broder

NEW ORLEANS — Now that the Republican convention is history, it is becoming clear that George Bush won half the battle of New Orleans in a breeze and gave away the other half without a fight.

may or may not grow into those roles, but he is not there yet. The process that led Mr. Bush to choose Mr. Quayle is as worrisome as the result. First, Mr. Bush, unlike Mr. Dukakis, distanced himself from the interviewing, indulging a typical distaste for personal confrontation.

Why Prague's 'Noble Counterrevolution' Went Awry

By Josef Skvorecky

TORONTO — Twenty years ago the Soviet Union coined one of our century's more memorable euphemisms. By means of half a million soldiers and 5,000 assault vehicles, Moscow "rendered brotherly help" to Czechoslovakia because its boss, Alexander Dubcek, had just stated his intention to put a "humane face" on socialism.

Leninist state is the monopoly of power. The still valid (Mikhail Gorbachev uses it) euphemism for this monopoly is "the leading role of the party." How to reconcile that role with democracy became Dubcek's stumbling block.

The Dubcekist ideology represented an attempt to do the impossible: square the circle.

I heard an important Dubcekist assert that the Communists would retain their leadership because the nation, appreciative of the reintroduction of democracy by the party that had once destroyed it, would keep the party in power.

but simply on "mass organizations" that already existed: trade unions and special-interest groups such as the Association of Aquarium Owners and the Tourist Brotherhood.

But in these shop-window parties a hard core of real Catholics and real socialists survived, and now started claiming their right to run independent election campaigns.

Not all were as naive as the saintly Marxist who had such faith in the political gratitude of the masses, or as the poetic minister. Some argued that democratic pluralism did not have to be based on political parties — except, of course, the leading party —

the police, while in internal problems such as the economy it would give nonparty people a much more important, perhaps decisive, role to play. Where such schizophrenia would lead is not hard to predict.

Twenty years have gone by since the reimplosion of Stalinist order. Recently, under the impact of Big Brother Gone Mad, signs have appeared that the Czechoslovak party may "give" more freedom to its subjects. Some scholars, writers, singers and actors may be permitted to work in the open again.

1888: A Pacifist Dies LONDON — When the House of Commons re-assembles a familiar and genial face will be missed from the Opposition benches. It is that of Henry Richard, who has sat as a Liberal and Gladstonian for Merthyr in Wales for a score of years.

1913: Greeks Raze Town SALONIKA — The Greek inhabitants of Melnik, an ancient Byzantine city which is comprised in the new



want to know about the man who seeks to lead them. But in the end, they will judge Mr. Bush not on his qualities as a neighbor but as a president; as the future "man at the desk" in the Oval Office, to use the vice president's phrase.

And that is where he suffered a serious setback in New Orleans. About 80 percent of what presidents do involves picking people and making decisions, the rest being ceremonial. In his first important "presidential" decision, Mr. Bush picked the wrong guy as his running mate in Senator Dan Quayle of Indiana. The way he made the decision sent a disquieting signal of what his presidency might be like.

Whatever one makes of the National Guard business, Mr. Quayle is the wrong guy for the job, because no one inside or outside the Bush campaign even tries to argue that he was the best qualified Republican available to bolster the campaign or, if necessary, run the country. He

may or may not grow into those roles, but he is not there yet. The process that led Mr. Bush to choose Mr. Quayle is as worrisome as the result. First, Mr. Bush, unlike Mr. Dukakis, distanced himself from the interviewing, indulging a typical distaste for personal confrontation. He used the excuse that he knew the prospective candidates very well but, in fact, he did not know that much about Mr. Quayle. And the evidence is everywhere at the Watergate crisis as Republican national chairman, or heard the Iran arms sale proposal as vice president, Mr. Bush missed the main point at issue — or sidestepped the hard choice that it implied.

He failed to realize that voters now take the vice presidency seriously. In failing to choose a candidate of the stature Mr. Dukakis found in Senator Lloyd Bentsen, Mr. Bush raised doubts about himself. In the end, he inadvertently proved his opponent's point: Competence is an issue.

Enduring Lies Behind... By Blaine Harden... 21 Neo-Nazis Arrested In West German Town... WINSIEDEL... The police arrested 21 neo-Nazis... a demonstration in the town... marking the first anniversary of the death of Rudolf Heide... my dining table... Eight neo-Nazis... their Nazi salute and... objects that had been... buried in West German... (miles) north...

هكذا من الأجر

Enduring Tribal Blood Feud Lies Behind Burundi Killings

By Blaine Harden

NAIROBI — The massacre last week of 600 to 800 people in the small nation of Burundi is a reminder of the blood-feud resentments that endure there in the mountains of central Africa under a military regime that practices a kind of tribal apartheid.

In Burundi, where about five million people are crowded into a remote highland country of about 28,000 square kilometers (about 11,000 square miles), the majority Hutu tribesmen are ruled by the minority Tutsi. Hutus outnumber Tutsis by 6 to 1, yet they have almost no role in the government or the military. The Tutsis control that little wealth there is in the world's 13th-poorest country.

The inherent tensions of minority rule are heightened in Burundi by memory of the worst instance of tribal genocide in the history of modern Africa. In 1972, a previous Tutsi-dominated government systematically exterminated about 100,000 educated Hutus.

The killings last week, which reportedly began when Hutus in the mountains of northern Burundi carried out "selective" massacres and spear attacks on Tutsi families, constitute by far the worst outbreak of ethnic violence since 1972.

According to a senior western diplomat in Burundi, the violence has increased tribal fears across the country.

"A lot will depend on what happens in the next few days, but right now emotions are running very high," said the diplomat, who was interviewed by telephone in Bujumbura, the capital.

Apparently anticipating tribal retaliation, about 15,000 Burundians have fled the northern mountains for asylum in bordering Rwanda, a country where the Hutu tribe controls the national government. A Western diplomat in



said. He said more bodies might be discovered.

The Burundi government, like nearly everyone in that country, is extremely unwilling to acknowledge the existence of tribal hatred. This reticence is such that many Burundians refuse even to say the tribal names "Hutu" and "Tutsi."

Instead, they speak of the Short Ones, the Hutus, who make up 85 percent of the population and who are mostly subsistence farmers of Bantu origins, and the Tall Ones, the Tutsis, who make up 15 percent of the population and who were once cattle people, probably of Ethiopian origin. The Tall Ones (many of whom are more than 6 feet tall) have been Burundi's elite for four centuries.

"Agitation" for last week's killing, according to Burundi's foreign minister, Cyrien Mbonimpa, came from "Burundi nationals abroad who had infiltrated the people with the aim of convincing them that civil war was imminent."

By this, Mr. Mbonimpa apparently meant that the government believes Hutu dissidents based in Rwanda had persuaded Burundi Hutus that the Tutsis were planning another tribal massacre.

Mr. Mbonimpa told foreign diplomats in Bujumbura last Wednesday that "the perpetrators of this horror and their commanders want to provoke ethnic civil war."

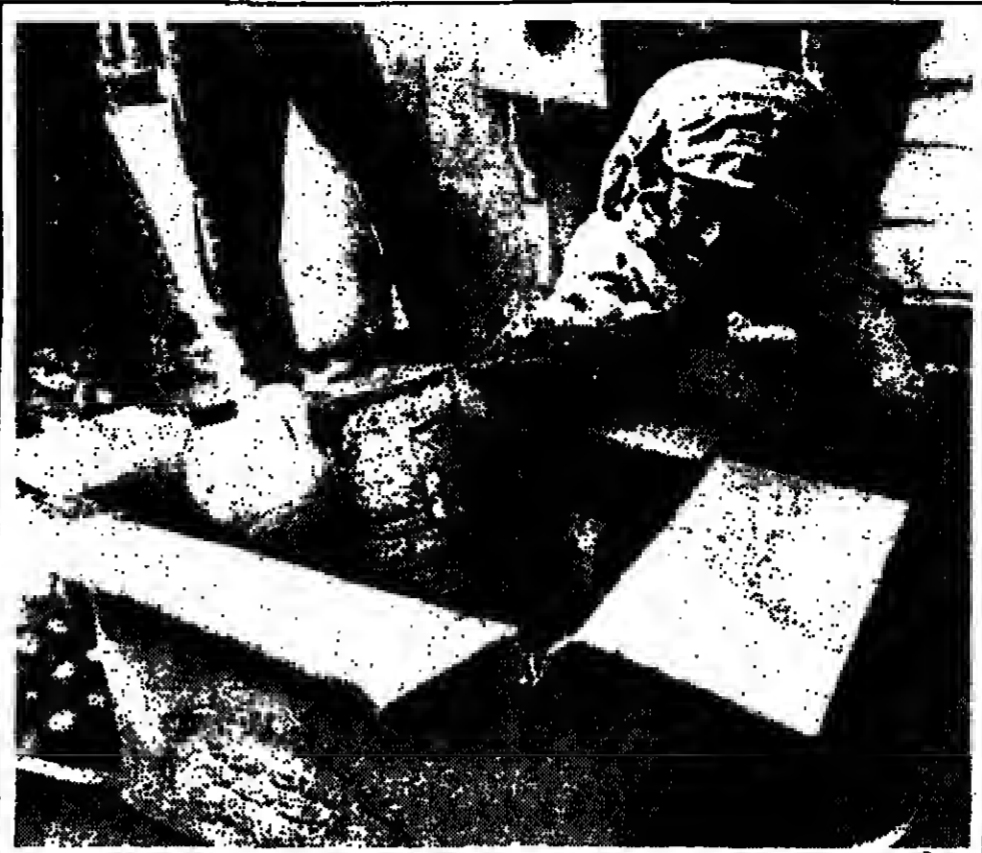
The violence surprised many political analysts because it comes at a time when the new military leader, Major Pierre Buyoya, a Tutsi who came to power in a coup 11 months ago, has made significant progress in reducing repression in the country.

"On the human rights side, over the past year, Burundi would have to get the prize for the most improved," the Western diplomat said. "Up to last week, it had no political prisoners that we were aware of."

Besides releasing political prisoners, the Buyoya government has dramatically reversed the anti-church policies of the previous regime, headed for 11 years by Colonel Jean-Baptiste Bagaza.

Colonel Bagaza had viewed the powerful Roman Catholic Church as a vehicle for Hutu revolt. He ordered hundreds of foreign priests and nuns out of the country, closed Catholic schools and restricted church services.

Since seizing power, however, Major Buyoya has made peace with the church, invited back foreign priests and returned confiscated property. In other areas, too, his government has won high marks from Western governments for free-market economic changes and for a crackdown on what had been a booming trade in illegal ivory.



DESPERATION IN SUDAN — A Sudanese woman dipping into a box of food sent by Saudi Arabia on Sunday. About 3,000 tons of relief supplies have arrived in Sudan, but experts say that the amount is insufficient for the thousands of people made homeless in north and central Sudan by flooding of the White and Blue Niles. In Khartoum, volunteers raced to build flood barriers.

President Found Dead From Gunshot Wound At His Home in Palau

KOROR, Palau — President Lazarus Salii has been found shot to death in his home, the second president in a row to die by gunfire in this island chain in the Pacific Ocean.

It was not immediately known if Mr. Salii, 54, who was found Saturday, had killed himself or was shot by an unknown assailant. A police officer, Theodore Obak, initially said an unknown gunman had fired the shot that killed the president, but a government spokesman later said that a gun was found at the scene and that suicide had not been ruled out.

Chester Pavlovski, the U.S. State Department representative in Palau, said investigators were "going along the line it's self-inflicted."

"There are indications that's what it was," he said.

Mr. Pavlovski said he had no details on what evidence pointed to suicide.

Vice President Thomas Remengesau, who also was the Palauan minister of justice, was sworn in as the new president over the weekend. Mr. Remengesau, 57, will serve for the remainder of Mr. Salii's term, which ends later this year.

Palau, which is about 4,500 miles (7,300 kilometers) southwest of Hawaii and 600 miles east of the Philippines, has been beset by economic and political problems in recent years. The island chain, with a population of 15,000, has been administered by the United States since the end of World War II.

Mr. Salii was elected in August, 1985, to succeed Haruo Remeliek, the country's first elected president, who was gunned down outside his home two months earlier.

Three men were convicted of killing Mr. Remeliek, but they were later acquitted on appeal. Two of the three were relatives of a political opponent of Mr. Remeliek.

Bonifacio Basilius, a special assistant to the president, said Mr. Salii was sitting alone in his house Saturday while his wife, driver and maid were eating lunch outside. The three heard what they thought was a shot about 1:30 P.M. The driver checked the grounds and found nothing unusual.

About 20 minutes later, Mrs. Salii went into the house and found her husband, shot once in the head, Mr. Basilius said.

Police found a .357-caliber Magnum revolver and a spent bullet, he said.

Asked if the death was a suicide, Mr. Basilius said, "We're not ruling out anything." He declined to comment further.

Both Messrs. Salii and Remeliek were strong supporters of a proposed "compact of free association" with the United States, which would provide for Palau's self-governance and the continuation of U.S. economic aid.

After World War II, the United Nations placed several groups of islands in the Pacific, all of which were previously held by Japan, in a trusteeship administered by the United States. In the past decade, all the island groups in the Trust Territory of the Pacific except Palau have approved plans for self-rule.

Since 1983, Palauans have voted several times on the proposed compact of free association. The proposal includes granting U.S. warships the right to visit the islands.

Palauan courts have ruled that the compact conflicts with anti-nuclear provisions in the Palauan constitution, since visiting warships could carry nuclear weapons. The constitution does state that the anti-nuclear provisions can be overridden with the support of 75 percent of voters. But in several plebiscites on the compact, the highest level of voter approval for an override has been 73 percent.

Afrikaners Resist Eviction Legislation

By John D. Battersby

New York Times Service

JOHANNESBURG — President Pieter W. Botha is facing growing resistance from within the Afrikaner establishment to his plans to enact legislation this week that could lead to the mass eviction of tens of thousands of blacks who are defying residential segregation laws.

A rare dispute between an Afrikaner leader and the pro-government press broke into the open last week when Mr. Botha accused Beeld, the biggest Afrikaans-language daily, of "irresponsible methods" in its commentary on the issue. The president made it clear that he wanted the editor fired.

Beeld called on the government to scrap the legislation, which it said would seriously damage race relations and play into the hands of the country's opponents.

On Sunday, the biggest Afrikaans weekly newspaper, Rapport, joined a growing tide of opposition to what it called a "merciless" bill and urged the government to reconsider the details, rather than completely abandoning the legislation.

The proposal provides for mandatory eviction of persons violating laws on residential segregation.

Under the present law, the onus is on the state to provide alternative accommodation before evicting offenders. Between 100,000 and 200,000 nonwhites are already living in de facto multiracial areas in violation of the law.

The bills in question are opposed by the chamber of Parliament for members of mixed race and by the liberal opposition in the chamber representing whites. A combined committee representing the separate white, mixed-race and Asian houses of Parliament failed to reach consensus on the legislation.

If Mr. Botha is determined to enact the measures in their present form, it is clear that he will have to use a presidential commission to force them through Parliament.

Roger Burrows, a legislator from the liberal Progressive Federal Party, has described the bill as a "recipe for revolution."

"Apart from a direct physical threat," Mr. Burrows said, "one of the most provocative things you can do to a person is to remove the roof over his head."

The law, which is due to be discussed during a special session of the white-dominated Parliament in Cape Town this week, has been

strongly opposed by a powerful coalition of anti-apartheid, business, church and political groups that cut across traditional political barriers.

The country's two most influential industrialists, Harry F. Oppenheimer, the retired chairman of Anglo American Corp., a gold mining company, and Anton Rupert, the Afrikaner chairman of the Rembrandt Group conglomerate, have joined the chorus of opposition to the bills.

Beeld broke new ground three weeks ago by calling for the release of the imprisoned black nationalist leader Nelson Mandela.

"This newspaper has now made it a habit to periodically embarrass the government over sensitive issues," Mr. Botha said last week at the annual conference of his National Party.

Mandela Freeing Predicted

A South African official said Saturday that he thought Mr. Mandela, the leader of the African National Congress, would be freed within three to four weeks. The New York Times reported from Johannesburg.

The official said he thought the government would release Mr.

Gunman Kills 4 In Norway Village

OSLO — A man with a shotgun killed four people and wounded two more on a shooting range in southern Norway, the police said Sunday.

The man, 22 years old, was first spotted wandering through the village of Farsund clutching a shotgun on Saturday afternoon. He then shot and killed two men who walked out to inspect their targets on a nearby shooting range.

The gunman later killed two ambulance staff as they ran onto the range.

21 Neo-Nazis Arrested In West German Town

United Press International

WUNSIEDEL, West Germany — The police arrested 21 neo-Nazis at a demonstration on Saturday marking the first anniversary of the death of Rudolf Hess, Hitler's deputy during World War II, a police spokesman said.

Eight were arrested for giving the Nazi salute and 13 for carrying objects that could be used as weapons, the spokesman said. Hess is buried in Wunsiedel, a small Bavarian town 110 kilometers (70 miles) northeast of Nuremberg.

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DER SPIEGEL

Thousands Mourn At Zia's Funeral In Pakistan Capital

By Karen DeYoung and Richard M. Weintraub
Washington Post Service

ISLAMABAD, Pakistan — President Mohammed Zia ul-Haq was buried in the presence of thousands of his countrymen and scores of foreign dignitaries.

The armed forces, which ran Pakistan under martial law for most of the 11 years that General Zia was in power, managed the lengthy, open-air ceremony with precision. Soldiers and police used riot sticks to force back surging crowds of mourners as troops in regimental dress pulled the coffin aboard a gun carriage to the burial site.

The funeral, broadcast live on Saturday on Pakistani television, was held outside the King Fahd Mosque, which was inaugurated by General Zia in June. His became the first grave in the still bare surrounding land.

An open-sided tent, cooled by electric fans, was set up to shelter foreign leaders from the midday heat. Secretary of State George P. Shultz, representing the United States, sat with Foreign Minister Hans-Dietrich Genscher of West Germany and Sir Geoffrey Howe, the British foreign secretary.

At a news conference Saturday night, acting President Ghulam Ishaq Khan said the government still suspected that sabotage had caused the explosion on Wednesday that destroyed the military plane carrying General Zia's body and several senior Pakistani military officials, as well as the U.S. ambassador to Pakistan, Arnold L. Raphel. All 37 people aboard the plane were killed.

Mr. Ishaq Khan said the circumstances of the disaster indicated that "enemies of Pakistan are actively posing a threat to the security of our country."

But he acknowledged that investigators still had no proof of sabotage, or of who might have been responsible.

In their initial report Friday to Mr. Ishaq Khan, investigators ruled out the possibility of an accident. Quoting senior Pakistani officials familiar with the inquiry, the acting president said they had drawn up a list of six groups that they believe might have been involved in the explosion.

One official said the Afghan secret service, *Khad*, was a prime suspect because of General Zia's strong support for Afghan guerrillas fighting the Soviet-backed government in Kabul.

PRAGUE: 10,000 Protest 1968

(Continued from Page 1)

The crowd sang the Czech and Slovak national anthems.

Miss Kanturkova said she and Mr. Hradilek had gone to the square in place of three group spokesmen who were detained Saturday as they walked to the Soviet Embassy with an appeal to the 1966 invasion, organized by Moscow to suppress the changes of Mr. Dubcek.

[Also in Moscow, it was reported that the dissenting journal *Glasnost* was detained when he went to a militia station to inquire about a colleague who works on the publication. United Press International reported.]

Leading Soviet newspapers and magazines, even the most daring, carried out a word of reminiscence or reflection about the 1968 decision to send Warsaw Pact tanks into Prague.

The day of silence reflected the fact that Eastern Europe is still outside the limits of freer expression permitted under the Soviet leader, Mikhail S. Gorbachev.

The demonstration Sunday was organized by a dissident political group, the Democratic Union, in defiance of a city order banning the gathering.

The anniversary has merited only two mentions in the official press.

Tass carried a commentary on Friday by a news analyst, Alexander Kondrashov, defending the invasion as a necessary last resort and condemning "the current anniversary propaganda campaign in the West."

Argument i Fakti, a newspaper for Communist party ideology workers, also defended the intervention in an article last week, while acknowledging that Mr. Dubcek's policies had much in common with the changes now underway in the Eastern bloc.

POLAND: Shipyard Strike Called

(Continued from Page 1)

owns agency reported that 10 coal mines were occupied by strikers.

The government has dismissed the strikers' calls for recognition of Solidarity as unrealistic, and has said that they call for higher wages threaten the country with economic ruin.

The Polish leader, General Wojciech Jaruzelski, and army chiefs discussed the unrest on Saturday. PAP said they had taken "appropriate decisions." It gave no details.

A Solidarity committee at the Adolf Warski shipyard in Szczecin issued a statement on Sunday calling for an immediate strike. The yard was an important Solidarity stronghold during unrest in 1980.

Strikers say about 2,000 port workers and 1,800 bus and tram drivers are on strike in Szczecin, about 400 kilometers (250 miles) northwest of Warsaw. All port activities have been suspended.

Solidarity leaders at the big Ursus tractor factory and the Lenin steelworks in Krakow, Poland's biggest plant with 32,000 workers, have said they will call for a strike if force is used to try to end the protest.

The main reason for the present



A mourner with a portrait of President Mohammed Zia ul-Haq during the funeral in Islamabad.

Noriega Steps Up Harassment Of Americans, U.S. Asserts

By Elaine Sciolino
New York Times Service

WASHINGTON — The regime of General Manuel Antonio Noriega of Panama has widened its harassment of U.S. officials in recent weeks as a way of forcing the United States to lift punitive financial measures against the country, according to administration officials.

The harassment involves incidents of beatings, abductions, rape and other physical abuse of American servicemen and their dependents by members of the National Defense Forces and the police, both of which are under General Noriega's command.

The Southern Command has lodged protests against the Panamanian actions, administration officials said, but they have had no practical effect. The officials said they were pressing for more vigorous action.

can go," a senior administration official said. "They're trying to make life miserable for Americans as a way of forcing us to relent on our sanctions."

Another official said: "In the past two months there have been incidents of beatings, abductions, rape and other physical abuse of American servicemen and their dependents by members of the National Defense Forces and the police, both of which are under General Noriega's command."

The Southern Command has lodged protests against the Panamanian actions, administration officials said, but they have had no practical effect. The officials said they were pressing for more vigorous action.

Eastern Air Lines and Pan American World Airways said recently that they would no longer carry U.S. officials with diplomatic passports to Panama if the officials did not have valid visas.

The Panamanian Embassy in Washington continues to recognize Eric Arturo Delvalle as Panama's president even though Mr. Delvalle's removal from office was engineered by General Noriega in February, and he was replaced by Manuel Solis Palma. The United States also recognizes Mr. Delvalle as the legitimate president.

When asked whether the United States had officially protested the refusal to allow U.S. officials into the country, a State Department official said: "That would be sort of hard. You don't make an official protest to a government you don't recognize."

Paris and New Caledonia Reach Accord

By Steven Greenhouse
New York Times Service

PARIS — France has announced agreement on the future of New Caledonia that offers amnesty for many jailed Melanesian separatists and sets rules for a referendum in 1998 on independence for the South Pacific territory.

France's minister for overseas territories, Louis Le Pensec, said Saturday that the government and the main separatist and loyalist groups had reached an accord that satisfied the principal separatist group, which had threatened to scuttle a previous agreement.

New Caledonia was the most volatile issue facing Michel Rocard when he became prime minister in May. On May 5, French troops launched an assault that resulted in the deaths of 19 Melanesian separatists who were holding 23 hostages. Two French soldiers died in the assault. The separatists killed four policemen when they seized the hostages two weeks earlier.

France's political analysts say that resolving the New Caledonia crisis is important to Mr. Rocard to help improve France's image in the Pacific. Australia, New Zealand and several other Pacific nations have condemned France for maintaining a colonialist policy.

After that agreement, however, the main separatist group, the Kanak Socialist National Liberation Front, which represents native Melanesians, demanded modifications in the accord, especially regarding amnesty for 200 Melanesians in jail.

On Saturday, Mr. Le Pensec announced that there would be amnesty for jailed Kanak separatists except for those being held in connection with killings. The accord also sets rules for who will vote in the 1998 referendum.

Jean-Marie Tjibaou, the leader of the Kanak Liberation Front, and Dick Ukeiwé, a New Caledonia senator who headed the loyalist negotiating team, both termed the new agreement "a great victory."

QUAYLE: Dole Says Guard Duty Furor Will Linger

(Continued from Page 1)

gain him a slot in the Indiana National Guard.

Seeking to maintain his quota of inductees at the height of U.S. involvement in the Vietnam War, the draft board in Huntington County, Indiana, called Mr. Quayle, then a 22-year-old senior at DePaul University, for his examination on April 9, 1969, less than two months before he graduated and his student deferment expired, according to Selective Service records.

Other former guard officials disputed Mr. Moorhead, however, and said that the headquarters detachment had been among the most highly coveted assignments in the Indiana National Guard.

After two days of campaigning together in Indiana and Ohio, Mr. Rush and Mr. Quayle broke off their joint appearances Sunday, with the senator going to Washington to organize his campaign effort.

Robert Moorhead, the former commanding general of the Indiana National Guard's 38th Infantry Division, said a review of records had shown that the headquarters detachment had 136 authorized slots at the end of May 1969 but that only 132 of those positions were filled.

INVADe: Prague's Ideals Return

(Continued from Page 1)

nist economic system has cycled. A similar description of the fate of reform and counterreform came from Miroslav Pavel, official spokesman for the Czechoslovak government. Trying to put the Prague Spring into a historical context, he listed the dates of past attempts at economic change in Czechoslovakia: 1958, 1966-68, 1980-81. All, he noted, had failed.

He insisted that "1968 was not exceptional."

"It was only exceptional in the way it ended," he said.

"They exploited the future," said Vaclav Havel, Czechoslovakia's leading playwright and dissident, arguing that Communist governments had looked for quick, silver-bullet solutions instead of changing an unworkable system.

This exploitation of the future took different forms in different countries. Poland and Hungary racked up huge foreign debts that now have to be paid back. In Czechoslovakia, the country's historically sound technological infrastructure became dilapidated.

Throughout Eastern Europe, nature was exploited recklessly, creating the conditions for an environmental crisis today. Factories were allowed to pollute the air and despoil the landscape.

The only Soviet bloc leader who managed to preserve elements of economic change in the 1970s was Hungary's Kadar, one of the most skillful politicians in Eastern Europe. Yet, even he was forced to retreat in 1973 as a result of Soviet suspicion and domestic political opposition.

"The Czechoslovak events encouraged the conservatives in Hungary," said Gyorgy Aczel, Hungary's veteran ideologist, who was dropped from the Politburo earlier this year. "If you were the manager of a large factory being kept going by government subsidies, you were naturally not very enthusiastic about reforms."

Twenty years after the invasion of Czechoslovakia, the governments of Eastern Europe face a potentially explosive situation. Living standards have risen sharply in the last two decades, as have popular aspirations to a freer and more abundant life. But the ability of Communist regimes to meet these aspirations has declined.

The same factors that enabled Communist leaders to postpone change for a generation are now making it the only way out of an economic impasse. Western credits have been transformed into debts. Even nature is beginning to revolt against its predators.

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FROM TERMA MONDAY, AUGUST 22, 1988

ECONOMY

Fed Chief Curbing Inflation With 'Incremental' Policy

By LOUIS LOMAX

NEW YORK — Federal Reserve Chairman Paul Volcker said yesterday that the Fed would continue to use a "gradualist" approach to curbing inflation. He said the Fed would not raise the discount rate, but would use other tools to keep inflation in check.

The consumer price index rose 4.3 percent for the year, but is expected to fall to 4.2 percent by the end of the year. To keep inflation under control, the Fed is expected to raise the reserve requirements for banks and to use other tools to keep inflation in check.

SINGAPORE — The People's Action Party (PAP) government here forced 14 members of parliament to quit their seats on Saturday. The PAP government said that the 14 members had broken the party's discipline.

The PAP government said that the 14 members had broken the party's discipline. The PAP government said that the 14 members had broken the party's discipline.

INFLATION — The problem of inflation is still a major concern for the Federal Reserve. The Fed is expected to raise the reserve requirements for banks and to use other tools to keep inflation in check.

Currency

Carl Gewirtz is on vacation and will resume in September.

Currency	Rate
Australian	1.52
Belgian	36.36
British	1.93
Canadian	1.31
DM	1.78
French	6.55
Italian	1.36
Japanese	160.48
Swiss	2.00
West German	1.78
Yen	160.48

Other Dollar Values

Currency	Rate
Argentine	1.40
Australian	1.52
Belgian	36.36
British	1.93
Canadian	1.31
DM	1.78
French	6.55
Italian	1.36
Japanese	160.48
Swiss	2.00
West German	1.78
Yen	160.48

New York Rates

Currency	Rate
British	1.93
DM	1.78
French	6.55
Italian	1.36
Japanese	160.48
Swiss	2.00
West German	1.78
Yen	160.48

Stock Indexes

Index	Value
DJ Industrial	2252.00
DJ Total	2273.00
S&P 500	240.00
NYSSE	262.00
NYSSE	262.00
FTSE 100	1244.00
DAX	2891.00
Nikkei	14879.00
Hang Seng	2292.00
ASX	1427.00
HSE	2297.00
MSCI	2429.00
World Index	424.00

TO POWER APPLIANCES
In Touch with Tomorrow
TOSHIBA
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FROM THERMAL POWER
MONDAY, AUGUST 22, 1988

ECONOMIC SCENE

Fed Chief Curbs Inflation With 'Incremental' Moves

By LOUIS UCHITELLE
New York Times Service

NEW YORK — Ever since Alan Greenspan became chairman of the Federal Reserve Board a year ago, the big question has been whether he would be as effective an inflation fighter as his predecessor, Paul A. Volcker. Now that the Fed has been nudging up interest rates, and Mr. Greenspan's strategy is becoming evident for the first time. Since March, the Fed has been nudging up interest rates, and this policy is likely to continue, Mr. Greenspan's view is that while inflation has been rising slowly, becoming a worrisome matter in August, it has not taken hold of the economy, as some other economists have contended.

The consumer price index has risen at an annual rate of 4.2 percent for the first six months of this year, about the same pace as last year. To keep inflation from accelerating, the Fed's actions since March have been aimed at dampening demand by making credit more expensive. Another goal has been to forestall an inflationary cycle. When people begin to fear increased inflation, they often step up buying to beat the price increases; that extra spending adds to inflationary pressures, and the fears of inflation become self-fulfilling.

Mr. Greenspan's strategy represents a fairly standard way of dealing with the threat of inflation. William McChesney Martin, Fed chairman during the 1950s and 1960s, once said, "The Federal Reserve's job is to take away the punch bowl just as the party gets going."

Testifying before Congress last month, Mr. Greenspan's words were less colorful, but they are likely to be recalled as a milestone in his tenure. He said the risks of inflation were "sufficiently great that Federal Reserve policy at this juncture might be well advised to err more on the side of restriction than of stimulus."

While the broad outlines of Mr. Greenspan's strategy have been clear for some time, his recent congressional testimony, the minutes of the closed-door meetings at which central bank policy is set and recent talks with Fed officials provided a more detailed guide to the Fed chairman's thinking. Among the main points:

INFLATION. Until this month, he did not view the inflationary pressures slowly building in the economy as a worrisome problem. Although the prices of metals and other commodities were rising, the increases were not translating into general price increases, mostly because wages and other labor costs were not increasing significantly, and labor costs represent the bulk of business expenses.

Recent data has changed his viewpoint, with some of the most telling being a rise in the employment cost index, an increase in average wages, and reports from the Fed's regional banks of moderately higher wages in their areas.

In addition, the producer price index, released on Aug. 12, showed not only a fairly strong rise in finished goods ready for consumption but also that the price increases were more broadly spread than had been thought.

INTEREST RATES. The basic interest rate policy since the spring has been to raise rates by very small amounts — "incrementally" is the term that is used. The danger of pushing up rates too quickly lies in the impact on the dollar, whose value usually rises along with U.S. interest rates.

Too sharp an increase in interest rates and the dollar could be dangerous. Fears about the effect of a strong dollar on the trade deficit could lead to a reaction in the markets that would abruptly drive down the value of the dollar. The economy's current vigor depends on the export sector, and a weak dollar makes American products easier to sell abroad, because they are less expensive in foreign currencies. The dollar has risen since June, but Mr. Greenspan views the its current level as satisfactory for trade.

The Fed influences interest rates mainly by seeking to move the federal funds rate, which is the interest banks charge each other on overnight loans. The federal funds rate is a key determinant of the rates banks and other financial institutions charge on the money they lend to their customers. The federal funds rate has risen, partly as a result of the Fed's actions and partly as a result of market forces, to the 8 percent range from less than 7 percent in March. There have been similar increases in other short-term rates.

THE BUDGET DEFICIT. Monetary policy by itself cannot prevent inflation or recession. What is needed is a helping hand from fiscal policy. The budget deficit has to be reduced, to eliminate the inflationary pressure that comes when the government spends more than it raises from taxes. Mr. Volcker made

The Fed is expected to try to pressure the next president to cut the U.S. budget deficit.

Verdict Is Guilty in Hunt Case

Damages Are Set At \$130 Million



Lamar Hunt, left, Nelson Bunker Hunt, center, and William Herbert Hunt leaving federal court in New York after losing a case in which they were accused of trying to corner the world silver market.

Texas Trio Seems Larger Than Life

By James Hirsch
New York Times Service

NEW YORK — Even by Texas standards, the Hunt brothers stand astride their state as larger-than-life figures — leaders of a powerful, sprawling dynasty, brash businessmen and flamboyant social mavericks whose lives have been a prime-time saga for more than a quarter of a century.

Those years have seen the fortunes of one of the world's richest families rise and fall as the brothers won and then lost in bold and risky forays into real estate, oil, and the silver market, the last a venture that led to the \$130 million judgment against them on Saturday.

The three brothers — Nelson Bunker, 62; William Herbert, 59; and Lamar, 56 — are sons of the eccentric and legendary H.L. Hunt, a one-time professional gambler who parlayed a few oil leases with money made at poker into a fortune worth \$2 billion by 1954. H.L., who died in 1974, believed he had a "genius gene" and fathered 15 children by three women over 35 years.

Bunker, Herbert and Lamar have taken the most active and visible role in running — some say ruining — the family fortune through their management of Placid Oil Co., Petro Drilling Co. and other concerns, as well as their involvement in the silver debacle of 1980.

In many ways, the brothers have come to symbolize the swaggering, independent spirit of Texas. It is a family whose members say such things as "a billion dollars isn't what it used to be" and whose internal feudings make the Ewings on "Dallas" look like the "Brady Bunch." Politically conservative and personally reserved, they have always displayed a Texas-style fondness for big things — big deals, big risks, big payoffs.

And big losses, particularly for Nelson, the most colorful of the brothers, who for many years appeared to lead a life of carefree indulgence. In the 1960s, he may have been the wealthiest man in the country, worth an estimated \$16 billion. During the past decade, he has made and lost more money in

Indonesia Says OPEC Focuses On Iraqi Quota

KUTA BEACH, Indonesia — Returning Iraq to OPEC's oil output quota system is now a top priority for the 13-member cartel after the Gulf War cease-fire, Energy Minister Giandjar Kartasasmita of Indonesia said Sunday.

After a Saturday meeting on the island of Bali between Indonesia, and non-OPEC producers Brunei and Malaysia, the three Southeast Asian nations said they expected the cease-fire to strengthen oil prices.

But Mr. Giandjar said it was crucial to persuade Iraq to accept a quota from the Organization of Petroleum Exporting Countries because while it remained outside the cartel's quota system the output of a major producer was uncontrolled.

This is top priority on the OPEC agenda," said Mr. Giandjar, one of five members on OPEC's price committee, which has the power to convene an emergency meeting of the organization.

The OPEC secretary-general, Subroto, is scheduled to visit Iran and Iraq at the end of the month. Iraq has refused a quota unless it is given one equal to that allotted in Iran, currently 2.37 million barrels a day.

Mr. Giandjar said Subroto, his predecessor as energy minister, would try to get Iraq to agree to a quota. There are fears in the oil industry that both Iran and Iraq might start pumping extra oil to pay for reconstruction.

Industry sources have said Iraq is pumping close to 2.7 million barrels and could increase output to 3.8 million within 12 months.

Heavy production by OPEC and non-OPEC countries has led to a glut in world supplies, which has forced prices to fall to below OPEC's target of \$18 a barrel.

Kastah Gadani, a minister in the Malaysian prime minister's office in charge of oil affairs, said Sunday that a non-OPEC offer to cut exports by 5 percent if the cartel did the same was still valid.

He said although some non-OPEC producers were already doing this, there should be joint action to help support prices.

Malaysia was one of six non-OPEC oil producers that offered earlier this year to cut exports by 5 percent to support the group's efforts to boost falling oil prices if the cartel reciprocated. OPEC did not match the offer.

BCI Offer For Irving Hits Snag

By Sarah Bartlett
New York Times Service

NEW YORK — Irving Bank Corp.'s acceptance of a friendly takeover bid by Banca Commerciale Italiana has suffered a setback that apparently leaves it open to a hostile bid from Bank of New York.

The Federal Reserve Board said Friday that it considered the Istituto per la Ricostruzione Industriale, an Italian government agency that owns 58 percent of BCI, to be a bank holding company. The ruling means that the IRI would have to file a formal application with the Fed to acquire Irving.

BCI made a friendly takeover bid for Irving in April, offering to pay \$80 a share cash for about 51 percent of Irving's stock. Irving has said that the deal has a higher value than an earlier bid by Bank of New York.

Irving and BCI have said that IRI is not a bank holding company and not required to file a formal application with the Fed.

Advisers to Bank of New York have said they thought that the Italian agency would not want to go through the lengthy application process, which would require the disclosure of financial information.

"Many foreign entities are unwilling to have any kind of disclosure," said H. Rodgin Cohen, lawyer for Bank of New York.

Robert Falise, lawyer for Irving, was surprised at the Fed's decision.

"This is a dramatic reversal of Federal Reserve policy that has wide-ranging political and international trade implications," he said.

The apparent extension of the Fed's reach to foreign government-controlled units was likely to generate controversy.

BCI and Irving declined to comment until they had reviewed the decision.

The Fed said it would impose a capital commitment on BCI if its bid for Irving were successful.

The Fed has required other foreign banks to maintain at least as much capital in their U.S. subsidiaries as the average of other banks of comparable size.

Bank of New York has said that, if the Fed were to impose such a commitment, BCI would be forced to commit hundreds of millions of dollars in additional capital to Irving.

BCI has said that it would not need to comply with such a commitment.

The Fed's ruling is the latest in a series of legal and regulatory maneuvers in a takeover battle that began when Bank of New York made its bid for Irving in September.

Europe's New Aerospace Conglomerates Are on the Rise

By Warren Getler
International Herald Tribune

LONDON — When executives from leading U.S. aerospace companies visit the Farnborough Air Show opening Sept. 4 near here, they will find a new wealth of European power.

Since the last Farnborough air show in 1986, two giant aerospace-automotive conglomerates have been formed in Europe and appear to be gaining in strength.

In Britain, British Aerospace PLC took over Royal Ordnance, the country's largest munitions manufacturer, and recently acquired Rover Group, Britain's largest automaker.

In West Germany, Daimler-Benz AG, the automotive and engineering giant, is poised to take control of Messerschmitt-Bölkow-Blohm GmbH, the aerospace group and defense contractor. That followed Daimler-Benz's acquisition of AEG AG, the electronics firm; Dormier GmbH, the aircraft maker, and MTU GmbH, the engine manufacturer.

The architects of the two conglomerates are Roland Smith, chairman of BAe, and Edgard Reuter, managing board chairman of Daimler-Benz. Their vision was to create a broad range of technological expertise — from automobiles to fighter aircraft — as the best chance of survival in the market.

Nick Cook, aviation editor of Jane's Defense Weekly in London, said: "What we've seen over these past few years, both in Britain and Germany, is bids by two major companies to break into a market that has been dominated by U.S. companies of colossal size and breadth. Unless you diversify, the thinking at Aerospace and Daimler goes, you're not going to make it."

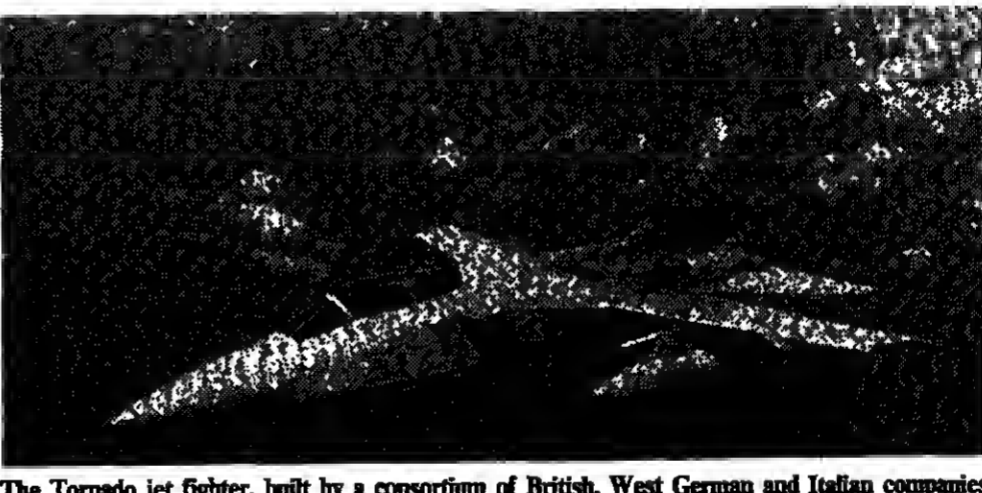
Tom Brennan, director of international operations at Boeing Aerospace in Seattle, said Europe aerospace groups have "a lot more capability today."

"Their political muscle, as well as technological capability, has grown as a result of their new size," he said.

For Mr. Smith, size matters in the arms and aerospace business.

Last month, BAe became the prime contractor in a British arms deal with Saudi Arabia estimated to be worth \$2.5 billion to \$3 billion. The accord includes fighter aircraft, helicopters and contracts for construction of air bases in Saudi Arabia.

"The Rover acquisition simply ensures that British Aerospace is a



The Tornado jet fighter, built by a consortium of British, West German and Italian companies.

stronger engineering business, with more technical resources and greater effort on R&D, allowing us to operate as a more economic unit on international markets," Mr. Smith said.

"However, we are still a long way from the size of Daimler-Benz," he added.

Mr. Smith, who became chairman of BAe in September, said that the company was watching Daimler-Benz's moves to take control of MBB, but that he did not view the proposed grouping as a threat. He said he would see such a combination as a stronger partner, in that BAe already cooperates with MBB on Airbus civil aircraft and Tornado fighter jets.

"But we also see Daimler-Benz in terms of how much more we've got to do to be absolutely amongst the largest players," he said. "It's not that we want to ape what Daimler is doing. It's just that they've got the kind of scale that is important in the sort of technologies we are in."

"If you don't maintain that profitability, and scale and growth, then you drop out of the market, he added. "We certainly are looking for more acquisitions."

The BAe-Rover group, with sales of more than £7 billion (\$11.9 billion) last year, is Britain's largest exporter of manufactured goods. Last year, the group's military-related sales reached £4 billion.

A Daimler-Benz grouping would generate sales of around 75 billion Deutsche marks (\$39.7 billion), and would double Daimler's military sales to around 8 billion DM.

U.S. manufacturers have taken note of the new European aerospace companies: While some see

new opportunities and challenges, others are not impressed.

Boeing, for example, plans to look to the BAe and Daimler groupings for cooperative ventures in high technology, Mr. Brennan said.

The U.S. aerospace giant is already working with Daimler's Dornier unit on research related to the U.S. Strategic Defense Initiative for a space-based ballistic missile shield.

Meanwhile, Boeing has held its own in the civilian aircraft industry against the European Airbus consortium. It also has landed two military orders from Britain and France for its AWACS surveillance aircraft.

"Boeing, McDonnell Douglas Corp. and Airbus are competing for an aircraft order from Delta Air Lines of Atlanta that is valued at more than \$5 billion. The deal, which could be closed in early September, would be one of the largest orders ever for civilian aircraft.

A McDonnell Douglas executive in London, who asked that he not be identified, was not disturbed by the new challenge from the European conglomerates.

Noting that he did not believe the size of the organization would help them secure orders, the executive added: "There's only so much defense money around these days."

"A bigger hammer hitting a smaller nail won't change much," he said.

He said that if the German grouping were to exercise its full potential, Bonn would first have to change its arms export laws. West Germany has some of the most restrictive arms-export laws in the West. Most notably, they ban the introduction of lethal weapons into "zones of conflict."

He said the reason McDonnell Douglas had been upstaged by BAe on the sale of advanced fighter aircraft to Saudi Arabia "was simply that Congress would not let us sell." It has been suggested that McDonnell Douglas's F-15 was not sold to Saudi Arabia because of fears that Israeli security would be undermined.

Britain, as part of its estimated \$30 billion arms package, said it would sell up to 48 Tornado fighter aircraft and 60 BAe Hawk trainer aircraft to Saudi Arabia. These would follow the 1985 sale of 72 Tornados.

BAe builds the Tornado jets with MBB and Aeritalia, an Italian aerospace firm. The three are also embarked on the development of the European Fighter Aircraft, due to be operational in the 1990s.

François Heisbourg, director of

See FED, Page 9

Carl Gewirtz is on vacation. His Eurobonds column will resume in September.

Currency Rates

Cross Rates	Aug 19	YTD
Australia \$	1.186	1.187
Canada Cdn	0.725	0.725
Denmark Dkr	6.463	6.463
France Ffr	6.557	6.557
Germany DM	1.756	1.756
Italy Lit	2036.26	2036.26
Japan Yen	163.26	163.26
Netherlands Gld	3.636	3.636
Spain Ptas	166.371	166.371
Sweden Kron	10.480	10.480
Switzerland Sfr	2.036	2.036
UK Pound	1.547	1.547
US Dollar	1.000	1.000
Yugoslavia Dinar	13.780	13.780

1 USD = 0.792 B.M. (London), 0.792 B.M. (Tokyo), 1.000 B.M. (Frankfurt), 0.792 B.M. (New York), 0.792 B.M. (Rome), 0.792 B.M. (Singapore), 0.792 B.M. (Zurich).
1 DM = 0.536 B.M. (London), 0.536 B.M. (Tokyo), 0.536 B.M. (Frankfurt), 0.536 B.M. (New York), 0.536 B.M. (Rome), 0.536 B.M. (Singapore), 0.536 B.M. (Zurich).
1 Yen = 0.006 B.M. (London), 0.006 B.M. (Tokyo), 0.006 B.M. (Frankfurt), 0.006 B.M. (New York), 0.006 B.M. (Rome), 0.006 B.M. (Singapore), 0.006 B.M. (Zurich).
1 Lit = 0.0000048 B.M. (London), 0.0000048 B.M. (Tokyo), 0.0000048 B.M. (Frankfurt), 0.0000048 B.M. (New York), 0.0000048 B.M. (Rome), 0.0000048 B.M. (Singapore), 0.0000048 B.M. (Zurich).
1 Kron = 0.103 B.M. (London), 0.103 B.M. (Tokyo), 0.103 B.M. (Frankfurt), 0.103 B.M. (New York), 0.103 B.M. (Rome), 0.103 B.M. (Singapore), 0.103 B.M. (Zurich).
1 Ptas = 0.000006 B.M. (London), 0.000006 B.M. (Tokyo), 0.000006 B.M. (Frankfurt), 0.000006 B.M. (New York), 0.000006 B.M. (Rome), 0.000006 B.M. (Singapore), 0.000006 B.M. (Zurich).
1 Sfr = 0.00048 B.M. (London), 0.00048 B.M. (Tokyo), 0.00048 B.M. (Frankfurt), 0.00048 B.M. (New York), 0.00048 B.M. (Rome), 0.00048 B.M. (Singapore), 0.00048 B.M. (Zurich).
1 Pound = 0.792 B.M. (London), 0.792 B.M. (Tokyo), 0.792 B.M. (Frankfurt), 0.792 B.M. (New York), 0.792 B.M. (Rome), 0.792 B.M. (Singapore), 0.792 B.M. (Zurich).
1 Dollar = 1.000 B.M. (London), 1.000 B.M. (Tokyo), 1.000 B.M. (Frankfurt), 1.000 B.M. (New York), 1.000 B.M. (Rome), 1.000 B.M. (Singapore), 1.000 B.M. (Zurich).
1 Dinar = 0.073 B.M. (London), 0.073 B.M. (Tokyo), 0.073 B.M. (Frankfurt), 0.073 B.M. (New York), 0.073 B.M. (Rome), 0.073 B.M. (Singapore), 0.073 B.M. (Zurich).

Last Week's Markets

Stock Indices	Aug. 19	Aug. 18	Change
DJ Industrials	2,616.00	2,627.25	+11.25
DJ Transp.	1,774.25	1,772.25	-2.00
DJ Utility	844.50	849.25	+4.75
DJ Total	2,015.00	2,015.00	0.00
S & P 500	262.25	262.50	+0.25
S & P Ind	288.40	287.14	-1.26
S & P Mid	259.75	260.33	+0.58
NYSE Comp	147.54	148.55	+1.01
NYSE	1,844.30	1,843.40	-0.90
FTSE 100	1,454.50	1,454.50	0.00
FT 30	325.25	325.25	0.00
Japan Nikkei 225	26,209.42	27,032.51	+823.09
West Germany DAX	1,457.10	1,474.60	+17.50
France CAC 40	2,579.75	2,603.51	+23.76
Hong Kong Hang Seng	2,579.75	2,603.51	+23.76
Waste	40.20	41.40	+1.20
MSCI	40.20	41.40	+1.20

World Index From Morning Stanley Capital Intl.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Holdings (Seaboard) N.V.

The Quarterly Report as of 30th June 1988 has been published and may be obtained from:

Person, Holding & Pierson NV Herengracht 214, 1016 BS Amsterdam	Sat. Opperhuizen Jr. & Cie. Unter Schenkenhausen 4, D 5000, Köln 1
National Westminster Bank PLC Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1JF	Banque Paribas Belgique S.A. Rue de la Loi 67, 1050, Bruxelles
N.M. Rothschild & Sons Limited New Court, St. Swithin's Lane, London EC4P 4DU	Banque Paribas (Luxembourg) S.A. 10a Boulevard Royal, Luxembourg
L'Européenne de Banque 21 Rue Laiffre, Paris 9	Merrill Lynch International & Co. all European Offices
Trinkaus & Burkhard Königsplatz 21-23 D 4000, Düsseldorf 1	Rothschild Australia Limited Royal Exchange Building 56 Pitt Street, Sydney N.S.W. 2000

The Quarterly Report as of 30th June 1988 has been published and may be obtained from:
Person, Holding & Pierson NV,
Herengracht 214, 1016 BS Amsterdam. Tel. +31-20-211188

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 293 11 30. Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, and the US. Columns include Issuer, Can, Mat, Price, Yld, and Std.

France

Table listing bond prices for France. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Germany

Table listing bond prices for Germany. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Japan

Table listing bond prices for Japan. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United Kingdom

Table listing bond prices for the United Kingdom. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Supranational

Table listing bond prices for supranational entities. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Yen Straights

Table listing bond prices for Yen Straights. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Mutual Funds

NEW YORK (AP)—The following mutual funds were ranked by the National Association of Securities Dealers Inc. as of Friday.

Large table listing mutual funds with columns for Fund Name, Assets, and other metrics.

Scandinavia

Table listing bond prices for Scandinavia. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Supranational

Table listing bond prices for supranational entities. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

United States

Table listing bond prices for the United States. Columns include Issuer, Can, Mat, Price, Yld, and Std.

Vertical sidebar containing 'New Interest' and 'Bonding Rate Notes' sections.

FED: Greenspan - A news article snippet discussing Federal Reserve policy.

Euromarts At A Glance

Table showing Eurobond yields for various maturities and currencies.

DM Zero Coupons

Table listing DM zero coupon bond prices and yields.

ECU Straights

Table listing ECU straight bond prices and yields.

Libor Rates

Table listing Libor rates for various currencies and maturities.

WestLB advertisement for Fixed Income and Equities Trading, featuring contact information for various offices.

Intervention - A news article snippet discussing international financial intervention.

New International Bond Issues

Compiled by Bassam Atun

Issuer	Amount (millions)	Mat.	Coups. %	Price	Price end week	Terms
FLOATING RATE NOTES						
National & Provincial Building Society	¥10,000	1995	0.55	100.35	—	Below the Japanese long-term prime rate. Noncallable. Fees 0.25%.
PKbanken	¥ 5,000	1992	0.03	101.56	—	Over the Japanese long-term prime rate, semiannually. Redeemable and callable in 1991, with redemption amount then and at maturity linked to the performance of the Nikkei 225 stock index. Fees 1.5%.
Soci�te Qu�becoise D'Assainissement Des Eaux	¥ 6,500	1993	0.30	100.10	—	Below the five-year yen/swap rate. Noncallable. Fees 0.20%. Denominations 100 million yen.
FIXED-COUPON						
J. Saireury Finance	\$200	1991	9% 101	99.63	Noncallable, Fees 1.5%.	Denominations \$10,000.
Dresdner Finance Amsterdam	DM 500	1994	6 100	99.00	Noncallable, Fees 1.5%.	Denominations 100,000.
Industrial Development Bank of India	DM 250	1995	6% 100% 97.75	Noncallable, Fees 2%.		
Privatbanken	DM 140	1993	6 101	98.40	Noncallable, Fees 2%.	
Woolwich Equitable Building Society	DM 150	1993	6 101% 1	—	Noncallable, Fees 2%.	
Aegon	ECU 50	1991	7% 101% 100.00	Noncallable, Fees 1%.		
Credit Suisse Finance Guernsey	ECU 75	1992	7% 101% 99.80	Noncallable, Fees 1%.		
Eurofima	ECU 40	1995	7% 102% 100%	Fungible with the 125 million ECU issue, maturing on March 24, 1995. Fees 1.5%.		
Swedish Export Credit	ECU 100	1991	7% 101% 99.55	Noncallable, Fees 1.5%.		
Banque Nationale De Paris	CS 100	1991	10% 101% 99.75	Noncallable, Fees 1.5%.		
Landesbank Schleswig-Holstein	CS 65	1993	10% 101% —	Noncallable, Fees 1.5%.		
Primary Industry Bank of Australia	Aud 50	1991	13% 101% 100.13	Noncallable, Fees 1.5%.		
Zentralparkbank und Kommerzbank	Aud 75	1993	13% 101% 99.75	Noncallable, Fees 2%.		
Bergen Bank	¥ 5,000	1993	4% 101% —	Redeemable and callable at par in 1991. Fees 1.5%. Denominations 100 million yen.		
Christiano Bank Og Kredittkasse Of Norway	¥ 3,000	1993	1% 102 —	Until 1990, and 7% thereafter. Noncallable, Fees 1.5%. Denominations 5 million yen.		
National Australia Bank London	¥ 7,000	1995	zero 72.065 —	Noncallable, Fees 1.5%.		
Skopbank Cayman	¥ 7,000	1995	zero 71.277 —	Noncallable, Fees 1.5%. Denominations 10 million yen.		
Sprint VI	¥ 4,380	1993	zero 79.39 —	Noncallable, Fees 1.5%.		
EQUITY-LINKED						
Jujo Paper	\$200	1992	open 100	98.00	Coupon indicated of 4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set August 22.	
Kinki Nippon Railway	\$200	1993	open 100	97.50	Coupon indicated of 5%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set August 22.	
Sakisu House	\$300	1992	4% 100	98.75	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Terms to be set August 22.	
Sumitomo Metal Industries	\$500	1992	open 100	100.13	Coupon indicated of 4%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2.5%. Denominations \$10,000. Terms to be set August 22.	

Official U.S. Silence on Dollar Sounds Confusing

WASHINGTON — In two months since the dollar began a rally in the currency markets, the Reagan administration has been officially silent about it. But not unofficially.

Commerce Secretary C. William Verity Jr. indicated he would prefer a weaker dollar. Its strength may boost prices on U.S. goods to the extent that exports falter.

But then Clayton K. Yutter, the U.S. trade representative, said he did not think its rally would impede efforts to narrow the trade gap.

Next, word came from the White House and from Mr. Verity himself that only the Treasury Department and the White House may state U.S. policy on the dollar.

Markets were already unsettled and frantic for policy clues after the departure of James A. Baker 3d as Treasury secretary. By the end of last week, they were utterly confused.

"Quite obviously, no one really knows what's going on," said Stephen Marris of the Institute for International Economics.

Larry Kr tcher, economist at Merrill Lynch Capital Markets, said, "It's clear that currency markets are quite sensitive to whatever they perceive to be the U.S. admin-

istrators' view on recent dollar trends."

Mr. Baker, who left to run Vice President George Bush's presidential campaign and had been the architect and spokesman of monetary policy, had been silent on the dollar lately.

His designated successor, Nicholas F. Brady, is not expected to be confirmed by the Senate until next month, and the Treasury is being run by M. Peter McPherson, the

deputy secretary — who also has been silent on the dollar.

Investors who have been attracted to the dollar by rising U.S. interest rates, view the official silence as a sign of willingness to tolerate a stronger currency, analysts said.

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Besides being lured by rising interest rates, the market sentiment is that the administration does not want the dollar to drop before the November elections. A fall in the currency's value could depress securities prices, and that might damage Mr. Bush's prospects of winning the presidency.

The dollar began rising after a June 19-21 summit meeting among seven leading industrial democracies. At that time, the dollar was

worth 1.75 Deutsche marks; it ended last week at just under 1.90 DM.

Last week it dipped after a West German weekly, Die Zeit, quoted Mr. Verity as saying in an interview: "We are of the opinion that a rate of 1.80 marks is not only favorable for U.S. exports, but is also beneficial for the world economy."

The dollar firmed again when he said in a further statement he had no intention of suggesting a particular mark value.

He said he was just referring to the position of the dollar at the time of the summit meeting and saying that at that time, "conditions were good for the American exporter."

The government rarely states its position on the dollar. It does not acknowledge large values for the currency. It signals in cryptic statements that beg for interpretation so that dealers scrutinize every word.

"It's playing with fire," said Mr. Marris. "And Mr. Baker was probably the most skillful talker of the dollar — up and down — that we've seen."

But Mr. Baker's dollar-talking carried risks. On television on Oct. 18, he said the United States would not sit back while others raised interest rates — judged in West Germany that the United States might let the dollar fall if German interest rates stayed high.

The next day, the stock market collapsed. Many analysts said Mr. Baker's comments contributed to the unsease.

Big EC Firms Said to Back Single Currency

PARIS — More than 100 of the biggest companies in the European Community are working for the European Monetary System to accelerate use of a single currency and eradicate "monetary borders," according to Francois-Xavier Ortoli, former president of the European Commission.

Mr. Ortoli, now chairman of Compagnie Francaise des P troles, known as Total, is among the initiators of a movement for monetary union. He said in an interview on Friday that the goal of the Association for European Monetary Union, set up nine months ago and headed by C.J. Van der Klugt, chairman of NV Philips of the Netherlands, is "to reach out to small and medium-size companies"

that constitute "the basis of the community's industrial fabric."

In France, Italy, Belgium and the Netherlands, many leading companies in industry, services and banking have responded to the call of the association's founders. Fiat SpA of Italy, Total, Solvay & Compagnie of Belgium, Philips and Robert Bosch GmbH of West Germany.

Among the companies supporting the movement are Banque Nationale de Paris, Cr dit Lyonnais, Pirelli SpA, Olivetti SpA, Heineken NV, Renault, Montedison SpA, L'Ortal, Agfa-Gevaert AG and Benetton SpA.

Britain and West Germany are poorly represented in the movement. Speaking of West German companies, Mr. Ortoli commented,

"It is possible that people take less interest in the European currency unit and monetary union when they have an important currency like the Deutsche mark."

The association works with the Committee for European Monetary Union headed by Valery Giscard d'Estaing, the former president of France, and Helmut Schmidt, the former West German chancellor. It wants to inform various authorities of companies' monetary concerns, and to promote wider use of the ECU in the immediate future.

For business, monetary union would mean greater investment safety and a saving in administrative and financial costs, specifically on foreign exchange risks.

HUNTS: \$130 Million Award Ordered in Silver Case

(Continued from first finance page) convictions. The company had sought \$450 million.

Although other suits are pending, the ruling before Judge Morris E. Lasker in U.S. District Court was the first court decision that found the Hunts responsible for wild gyrations in the price of silver in 1979 and 1980.

The Hunts denied they tried to corner the market, contending that world political events, such as the Soviet invasion of Afghanistan and the seizure of the U.S. Embassy in Iran, drove up the price of silver.

The ruling seemed certain to aggravate the financial difficulties of the Hunts brothers, who head a Texas family of brass businessmen that not long ago ranked among the wealthiest in the nation. In recent years, however, their empire has suffered serious setbacks, particularly in oil and real estate, as well as in silver.

Their wealth reportedly has been eroded to \$1 billion from up to \$6 billion they claimed in net worth after the silver price collapse.

The Hunts looked grim as they left the court after the verdict was read. They refused to answer questions. Their lawyer, Paul J. Chanen, said he was disappointed and disagreed with the verdict. He said that he planned to ask Judge Lasker to reduce the damage award and that they may appeal.

Judge Lasker also is presiding over two large class-action suits against the Hunts filed by others who had invested in silver in 1979. Several people have fled other suits elsewhere in the country.

Like Mimmoco, many of the others who have sued the Hunts asserted that they lost money because they

had short positions in futures contracts in 1979. Producers of a commodity — Peru is a leading silver exporter — often take short positions to protect themselves against price declines. Such positions increase in value if the cost of the underlying commodity falls, but they can be costly if the price rises.

Also pending against the Hunts is an administrative proceeding initiated in 1985 by the Federal Commodity Futures Trading Commission.

Six financial institutions were originally named in the suit, but they settled out of court for \$64.6 million. They are Merrill Lynch &

Co., E.F. Hutton & Co., Banque Paribas Suisse, Prudential-Bache Securities Inc., CooftCommodity Services Inc. and AML Futures.

After the verdict on Saturday, lawyers for Mimmoco said that representatives of the Hunts had offered in May to pay the Peruvian company \$20 million to settle out of court but that the offer had been refused.

"Mimmoco had faith in the legal system of this country and their persistence paid off," said Mark Cymrot, a lawyer for the Peruvian company. (NYT, LAT)

FED: Greenspan Counters Inflation 'Incrementally'

(Continued from first finance page) this point frequently. Mr. Greenspan shares the view, but has not insisted upon it in public statements. Presumably he will after the next president takes office.

"You can see the Federal Reserve people upping the rhetoric and pressuring the next president to cut the budget deficit," said Barry Bosworth, a senior fellow at the Brookings Institution.

THE DISCOUNT RATE. Aside from influencing the federal funds rate, the Fed makes periodic changes in the discount rate, which is the interest rate that it charges on loans made directly to banks. The discount rate usually runs below the federal funds rate, and Mr. Greenspan said in his congressional testimony in July that there was a satisfactory spread between the discount rate, then at 6 percent, and the federal funds rate, at about 7.75 percent.

But early on Tuesday, August 9, the Fed unexpectedly raised the discount rate to 6.5 percent, although the funds rate was still at about 7.75 percent.

The increase drew criticism from some Wall Street bond dealers. The discount rate announcement came hours before the Treasury Department started a two-day auction of billions of dollars in debt securities. Some dealers charged that the sudden rate rise disrupted their planning. They "could not hedge their holdings and they suffered a massacre," said Robert A. Brusca, chief economist at Nikko Securities Co.

But Fed officials said they did not believe the timing of the announcement was damaging to traders, because, they said, bond dealers do not actually decide on their bids until 11 A.M. of the day of an auction. The discount rate an-

ouncement came well before 11 A.M.

Despite this sort of criticism, Mr. Greenspan is drawing mostly praise for his strategy, which is aimed at slowing economic growth to what he considers a noninflationary 2 percent to 2.5 percent for the second half of this year and for all of 1989. The gross national product grew at an inflation-adjusted annual rate of 3.4 percent in the first quarter and 3.1 percent in the second.

"Greenspan feels he can pull this off with a soft landing, and I think he can," said David R. Jones, an economist at Aubrey G. Lanston, a Wall Street securities dealer. "He has been ahead of the inflation curve, and if you stay ahead of the curve, you don't have to tighten as much."

But not everyone said they thought Mr. Greenspan would succeed. Some on Wall Street, like Edward A. Taber of T. Rowe Price Associates, argued that his strategy of pushing up rates slowly is too little and too late. They said he should have begun to raise interest rates before March, because such indicators as the falling unemployment rate were signaling inflationary pressures.

There is also the charge that Mr. Greenspan, a Republican appointed to the chairmanship last year by President Ronald Reagan, is acting now to avoid harsher actions this fall.

Others, however, said that by raising the discount rate just days before the Republican convention, Mr. Greenspan demonstrated a disregard of political considerations.

Finally, some argued that the rate hikes, particularly the discount rate increase and the strong signal

that conveyed, may end up causing a recession. "The Fed is clearly trying to fine-tune the economy, but it can't do this forever," said David Wyss, an economist at Data Resources Inc.

Whatever the conception, the current round of interest rate adjustments actually goes back to 1983 and Mr. Volcker. The former Fed chairman became concerned that the economic recovery from the 1981-1982 recession was proceeding too vigorously and could result in a reawakening of rampant inflation. He had finally managed to end the high inflation rates of the 1970s through huge interest rate increases that finally choked off spending and produced the 1981-82 recession.

But Mr. Volcker's tightening strategy in 1983 and 1984 also drove up the value of the dollar, helping to create the bugle trade deficit and finally slowing the economy in the summer of 1984. Reversing course, Mr. Volcker eased back on interest rates in the fall and soon thereafter the dollar began its long devaluation.

The easing policy lasted until early 1987, when Mr. Volcker once again went back to pushing up interest rates, realizing that the economy was growing very strongly — the gross national product expanded at an inflation-adjusted annual rate of 4.6 percent in the first quarter, compared with 1.4 percent in the final three months of 1986.

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The CBO revised its estimate for the deficit in fiscal 1988, which runs through September, to \$155 billion from the previously projected \$161 billion gap, and it cut its fiscal 1989 figure to \$148 billion from \$177 billion.

The market also showed little reaction to the moderate 2.5 percent economic growth forecast for 1989, traders said. (NYT, Reuters)

Intervention Tempers Bond Gains

NEW YORK — Treasury bond prices generally posted mild gains last week, but already-slagged summer activity was further dampened by repeated selling of dollars by central banks late in the week to halt gains in the U.S. currency.

Such a strong sign that central bankers did not want further appreciation of the dollar reduced the amount of "hot money" flowing into Treasury securities in search of quick profits.

The bellwether 9.25 percent Treasury issue due in 2018 rose to 97.932 from 97 last week, with the yield falling to 9.40 percent from 9.42 percent.

Prices of intermediate-term Treasury notes also rose, despite the prospect of a heavy supply of new issues next week. At the end of trading on Friday, 10-year notes were yielding 9.33 percent, down from 9.36 percent at the end of the previous week.

Before the scheduled auction on Tuesday of \$8.75 billion of two-year Treasury notes, dealers offered the securities on a when-issued basis with a yield of 8.74 percent on Friday.

On Wednesday, the Treasury is to sell \$7.25 billion of five-year notes, an issue that was offered at 9.05 percent on Friday.

Short-term interest rates also were steady. The overnight rate for bank loans in the federal funds market ended at 8 percent, down from 8 3/16 the previous week.

Lawrence N. Leuzzi, a managing director at S.G. Warburg Securities Inc., said the dollar's rally in recent weeks would prove limited.

"I think the dollar has come off its bottom and will not weaken substantially," he said. "But the trade deficit, despite improvement this year, remains too large for the dollar to continue appreciating."

Hump Tran, an economist at Deutsche Bank Capital, said that if the dollar remained strong, officials of West Germany's central bank might decide to raise short-term rates when they returned from vacation later this month.

Besides a desire to support the Deutsche mark, he said, officials could justify higher short-term rates by a need to slow the growth rate of domestic credit.

U.S. Consumer Rates

Aug. 19

Two-Year Bond	7.5%
Newly Marketed	7.5%
Consumer's 7-Day Average	7.5%
Bank Money Market Accounts	8.0%
Bank Time Deposits (other)	8.0%
Home Mortgage (FHLB average)	11.5%

Source: New York Times.

Belgium Puts Stress On Options

BRUSSELS — The Brussels Stock Exchange plans to upgrade the small Belgian options market in cooperation with the European Options Exchange in Amsterdam.

The exchange said Friday that talks were under way with the European Options Exchange with the aim of "closely cooperating." It said it planned to create a modern Belgian options market in Brussels, possibly as early as next year.

The Brussels exchange now trades options in four company shares quoted on the Belgian forward market. They are: the oil company Petrofina SA, the holding company Groupe Bruxelles Lambert SA, the South African gold mine Stillfontein and the Canadian nickel producer Inco Ltd.

The options market has not been successful as it deals only in call options, giving investors the right to buy a share within a certain period of time and at a set price.

An exchange spokesman said the new market would include put options with the right to sell a share within a certain time period and against a set price. The number of shares traded on the options market also will be increased, he said.

Ted Westerteppe, president of the European Options Exchange, said there was a tentative accord to give the Brussels exchange access to his exchange's computer to link the two markets. Initially, the markets would trade independently but trading in gold options, which is done in Amsterdam, might be moved eventually to Brussels, he said.

German Study Says Businesses More Optimistic

MUNICH — A poll among companies in 48 countries shows that the international business climate has improved since last October's market collapse, which caused so permanent problems in the world economy, the Ifo economic research institute said Sunday.

About 370 managers of multinational firms took part in the poll conducted in early summer 1988. The improvement in the business climate is based on consumption and increasing investments. Ifo said most companies considered the dollar undervalued and expected rising interest rates in the next six to 12 months.

In contrast with the pessimism suggested by a previous Ifo poll in February, the companies are now convinced that the world economy is in an upward trend, Ifo said.

The most optimistic were firms in industrial countries, while those in developing countries expected no change in their economic situation.

The companies expect the growth of world trade to exceed previous forecasts. Industrial and newly industrializing countries expect similar growth in real exports and imports, Ifo said.

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"It's playing with fire," said Mr. Marris. "And Mr. Baker was probably the most skillful talker of the dollar — up and down — that we've seen."

But Mr. Baker's dollar-talking carried risks. On television on Oct. 18, he said the United States would not sit back while others raised interest rates — judged in West Germany that the United States might let the dollar fall if German interest rates stayed high.

The next day, the stock market collapsed. Many analysts said Mr. Baker's comments contributed to the unsease.

PLANES: New European Vision

(Continued from first finance page) "The West German conglomerate is really a breed a part, with so many firms doing very different things," he said. "I suspect it will be very difficult to manage."

Indeed, many industry observers are not convinced of the logic behind the spate of mergers in the aerospace and automotive fields.

They say it is too early to tell whether previous groupings — such as General Motors Corp.'s acquisition of Hughes Aircraft, Chrysler Corp.'s purchase of Gulfstream Aerospace, and Saab's merger with the Scania aerospace group — have yielded any significant benefits.

Graham Warwick, an editor of Flight International, a London-based trade magazine, said talk of any short-term benefits for BAe-Rover was premature.

"Whatever BAe and Rover may say about the benefits of cross-fertilization, the merger is not going to affect how they build airplanes or cars for a long time, perhaps 20 years," he said. "But where the takeover does help BAe is in doubling the group's size."

He said that it added to "the already considerably clout that BAe wields with the government, in terms of landing contracts, and with the City, when it comes to raising finance."

Andy Chambers, an engineering analyst with Nomura Securities Ltd., said, "A far bigger BAe should help its ability to raise funds when once arrives. Aerospace, with about £200 million of liquid assets, already has a strong balance sheet, but cash outflows relating to the build-up of the loss-making Airbus aircraft program will reduce this level over the next couple of years."

A McDonnell Douglas executive in Los Angeles said in a telephone interview that there was virtually no chance his company would announce an agreement at the Farnborough show to cooperate with Airbus on production of a long-range jet to compete against the Boeing 747.

"We've made several rational offers to cooperate, but Airbus company officials find some reason every time to knock them down," he said.

Herald Tribune

A Shift in Policy For Poland

Corbishev Bailt "Democratic" Movement as 36 of 78

With Clonest, a Taste of Western-Style Drama Reaches TV

The Inflight Newspaper is available on Lufthansa flights.

As part of its inflight service, Lufthansa distributes the International Herald Tribune to its passengers on most flights. So do most other airlines: some 39,000 copies of the IHT are distributed each day in the skies of Europe, Africa, the Middle East, Asia and the Americas. Which is why we have become known as "the inflight newspaper."

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A Fortress Won't Help Europe...

By Robert D. McInerney

In 1988 — The economic recovery from the 1981-1982 recession was proceeding too vigorously and could result in a reawakening of rampant inflation. He had finally managed to end the high inflation rates of the 1970s through huge interest rate increases that finally choked off spending and produced the 1981-82 recession.

But Mr. Volcker's tightening strategy in 1983 and 1984 also drove up the value of the dollar, helping to create the bugle trade deficit and finally slowing the economy in the summer of 1984. Reversing course, Mr. Volcker eased back on interest rates in the fall and soon thereafter the dollar began its long devaluation.

The easing policy lasted until early 1987, when Mr. Volcker once again went back to pushing up interest rates, realizing that the economy was growing very strongly — the gross national product expanded at an inflation-adjusted annual rate of 4.6 percent in the first quarter, compared with 1.4 percent in the final three months of 1986.

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The CBO revised its estimate for the deficit in fiscal 1988, which runs through September, to \$155 billion from the previously projected \$161 billion gap, and it cut its fiscal 1989 figure to \$148 billion from \$177 billion.

The market also showed little reaction to the moderate 2.5 percent economic growth forecast for 1989, traders said.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Aug. 19

Symbol	Sales	High	Low	Close	Net Chg
AAB	10	14.00	13.75	13.75	-0.25
AAE	10	14.00	13.75	13.75	-0.25
AAI	10	14.00	13.75	13.75	-0.25
AAJ	10	14.00	13.75	13.75	-0.25
AAK	10	14.00	13.75	13.75	-0.25
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Wall Street
NYSE SIES
NYSE DICES
NASDAQ
Chicago

(Continued on next page)

Wall Street Review

NYSE Most Actives, NYSE Sales, NYSE Dividends, AMEX Most Actives, AMEX Sales, AMEX Dividends

Polaroid Announces Wider Job Cuts

By Richard W. Stevenson
LOS ANGELES — Looking for ways to cut costs and improve profits as it prepares for a possible takeover battle, Polaroid Corp. has said that it wants to trim its workforce more than it previously announced.

Amsterdam

Stock prices ended almost unchanged last week, after fluctuations during the five trading days. The ANP-CBS general index finished at 274.3 compared with 274.5 a week earlier.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

London
Shares rebounded in lackluster trading in Tokyo Stock Exchange during the traditional summer vacation week.

NASDAQ National Market

NASDAQ National Market OTC Consolidated trading for week ended Friday. Includes columns for Symbol, High, Low, Close, Net Change, Sales, and Volume.

Chairman Of Chevron To Retire

SAN FRANCISCO — The chairman and chief executive of Chevron Corp., George M. Keller, will step down at the end of the year, the company has announced.

Hong Kong

Prices fluctuated on the Hong Kong Stock Exchange, but the bears won in the end as investors reacted to reports of expected rate increases at home and abroad.

London

After a sharp initial fall, Stock Exchange indices recovered steadily to close practically unchanged for the week.

Chicago Exchange Options

Chicago Exchange Options Figures as of close of trading Friday, Aug. 19. Includes columns for Option & Price, Calls, and Puts.

Treasury Bonds

Treasury Bonds Aug. 19. Includes columns for Maturity, Bid, Ask, and Yield.

American Exchange Options

American Exchange Options Figures as of close of trading Friday, Aug. 19. Includes columns for Option & Price, Calls, and Puts.

INTERNATIONAL CLASSIFIED

INTERNATIONAL CLASSIFIED (Continued from Back Page). Includes sections for ESCORTS & GUIDES, LONDON BELGRADIA, CAPRICE-NYC, INTERFACES, MAYFAIR CLUB, NIGHTINGALES, and PRESTIGE.

A Fortune Won't Help Europeans... By Robert D. Brown... NEW YORK — The economic situation in Europe is becoming increasingly dire...

MONDAY SPORTS

SIDELINES

Hurdler Donkova Regains Mark in 100

SOFIA (AP) — With a time of 12.21 seconds, Jordanka Donkova of Bulgaria reclaimed the women's world record in the 100-meter hurdles at a track meet here Saturday night.

U.K. Rejects IOC's Plea to Select Coe

LONDON (AP) — British track officials "politely but firmly" have rejected a plea by Juan Antonio Samaranch, president of the International Olympic Committee, that Sebastian Coe, the two-time 1,500-meter Olympic champion, be selected to participate in the Summer Games next month in Seoul.

Forty Niner Takes Traversers by a Nose

SARATOGA SPRINGS, New York (UPI) — Forty Niner held off furious stretch drives by two other three-year-olds to win Saturday's Traverser Stakes at Saratoga Race Course.

Despite Loss, Nicklaus Hits \$5 Million

CASTLE ROCK, Colorado (AP) — Jack Nicklaus became the first golfer to reach the \$5 million mark in career earnings, but a 17th-hole fiasco cost him a place in the final round of the International Golf Tournament here.

Quotable

- Tennis player Chris Evert: "I'll quit when I want to quit, not when people want me to quit. You dream about boulding that plate up over your head and winning a Grand Slam, or Wimbledon, being No. 1 in the world. And it's never what you think it's going to be, because it lasts about an hour." (AP)

Niger's Boxers Beat the Crowd to Seoul's Olympic Hospitality

By Peter Maass Washington Post Service SEOU — The temperature inside the restaurant was almost as sizzling as the spicy kimchi side dishes on the table, but that didn't affect Niger's three Olympic boxers, the first athletes to arrive in South Korea for next month's Games.

That was just one sign that things are going well, perhaps too well, for the Niger boxing team, which may have set something of an Olympic record by arriving here July 4, more than two months before the opening bell. Most U.S. athletes won't be arriving here until shortly before the Games start Sept. 17. But to the Niger boxers and other Third World athletes who have come here early, South Korea is an affluent country with far better facilities than those available in their homelands.

South Korea is eager to gain international prestige from hosting the Games — it wants to win friends and be a model for developing nations.

Although in past centuries Korea was called the "Hermit Kingdom" because it had a disturbing habit of emphatically rejecting foreigners by beating them or throwing them in jail, South Korea is now going out of its way to please all corners.

The odyssey of the small boxing team from landlocked Niger provided a good example.

Sanaohi, who has coached Niger's Olympic boxing teams since the 1964 Games in Tokyo, brought his youthful charges to Seoul because there's only one boxing ring

performing well by using better facilities and practicing against good South Korean boxers. But it has not been able to train with the South Korean Olympic boxers, which disappoints the Africans.

The three seem to know that their medal hopes are slim. In the 1984 Los Angeles Olympics, Niger's two boxers were eliminated in their first bouts, although in the 1972 Munich Games a boxer from Niger won a bronze medal.

"For lots of African countries, participation in the Games is symbolic," said Sanaohi. "It's symbolic for us, but we're still going to try to win."



French Colt Mill Native Wins 'Million'

MILL NATIVE, left, under Cash Asmussen, upset a strong field in the Arlington Million Saturday at Woodbine Raceway in Toronto. The 40-to-1 shot, a French-bred 4-year-old recently bought by an American, Cornelius Ray, broke the course record of 2:01-2/5 by covering the 1-1/4-mile turf course in 2:00 for a one-length victory over Equalize, a U.S. entry. Another U.S.-bred, Sunshine Forever, was third. Asmussen had ridden Mill Native to three straight victories in France this year.

Brazil's Basketball Team Is Aiming a Little Lower

By Richard House Washington Post Service SAO PAULO — Brazilian basketball star Oscar Daniel Bezerra Schmidt is taking his team to the Seoul Olympics fully aware it has only an outside chance of repeating last year's surprise upset of the U.S. in the Pan American Games.

"We were lucky last time and took advantage of the opportunities, but the American team has always been better than us," said Schmidt, 30, who last August scored 46 points against the United States. He and his team will leave this week for a round of exhibition contests in China.

Aware of international attention caused by recent victories, the Brazilian team is anxious not to become overconfident before the Games begin. Coach Art Vidal will say only that he's adopting "organized disorganization" as a key tactic.

In May, Brazil won a pre-Olympic tournament in Montevideo, the 6-foot-8, 228-pound (2.03-meter, 104.4-kilogram) Schmidt — already troubled by muscular problems in his leg — fears the opposition in Beijing could be more formidable.

He said Brazil's main competition would come from the Soviet Union and Yugoslavia, and that Brazil would be fielding a similar team to the one that won the Pan American Games gold in Indianapolis a year ago, the difference being two new younger reserves.

"Our ideal is to play very fast, with plenty of counter-attack — the same as the U.S. professionals would, though they're much better than us," said Schmidt. He said Brazil should be in the same class as Canada, Puerto Rico and Australia at Seoul as it takes its third shot at an Olympic medal.

"We must stay humble and keep training," he said, recalling Brazil's erratic performance in past major tournaments. The team finished ninth in the 1984 Olympics and fared poorly at the 1982 world championships. But after finishing fourth in the most recent world championships and winning the gold in Indianapolis, the Brazilians have shown they cannot be discounted.

Brazil has performed well in recent games against West Germany, Puerto Rico and Mexico. Schmidt, who five years ago signed a \$1 million transfer to the Italian team Snaidero, which is based in Caserta, Italy, has become a national idol during his recent training visit to Brazil.

He has had to shrug off attempts by local media to make him a "savior of Brazilian sport."

Despite working out with the New Jersey Nets after the 1984 Games and receiving a contract offer, Schmidt remained faithful to Italian basketball and now says he would not accept offers to play in the United States. He also is unlikely to return to his native state of Rio Grande do Norte in impoverished northeastern Brazil.

Schmidt's play, which has helped make Caserta one of Europe's top teams, has been criticized for being too individualistic. Dan Peterson, an American coach, was quoted as saying Snaidero had become "totally dependent on Schmidt's play."

"Oscar might have won the Pan American games single-handed but he won't be able to repeat this forever," Peterson said (this year, Caserta was eliminated from the Italian championship). Schmidt has signed a contract to continue at Caserta until 1991 and believes that Brazilian basketball is suffering from economic constraints.

"There are so few players left and not enough cash to attract U.S. professionals to come here and help strengthen our game," he said.

WEATHER table with columns for EUROPE, ASIA, NORTH AMERICA, AFRICA, LATIN AMERICA, and OCEANIA. Includes high/low temperatures and weather conditions for various cities.

DENNIS THE MENACE

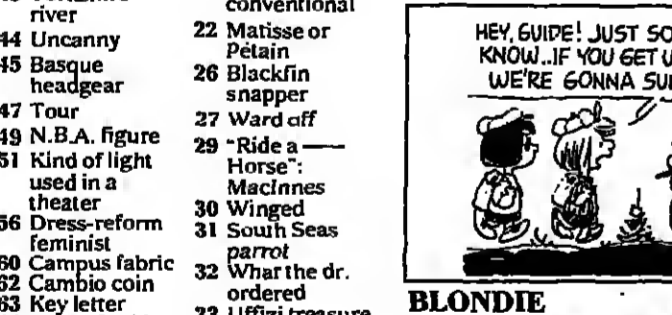


JUMBLE

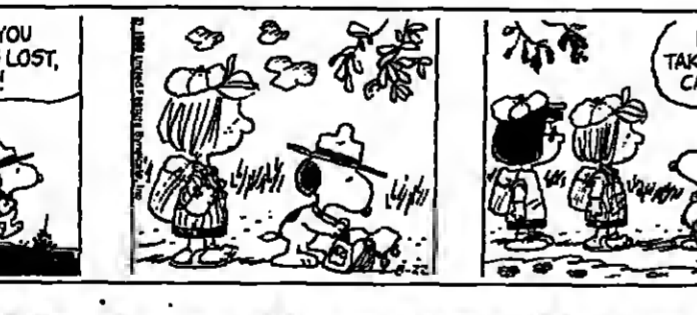
A word puzzle section titled 'JUMBLE' with a grid and instructions to unscramble words.

A crossword puzzle grid with numbered squares and a list of clues.

PEANUTS



BLONDIE



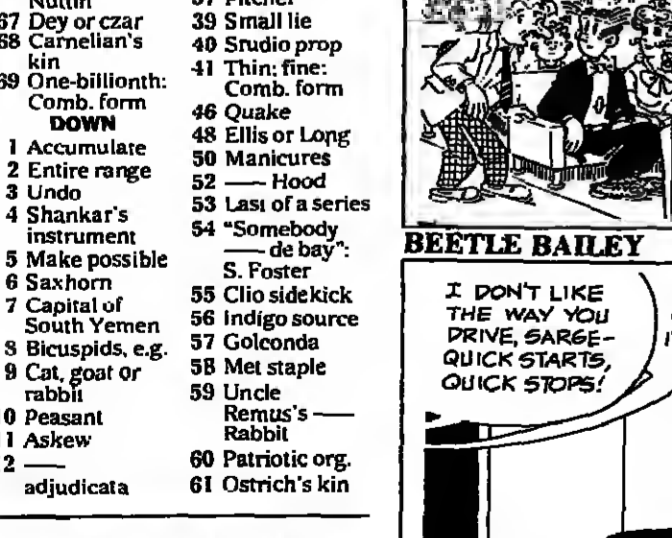
ANDY CAPP



WIZARD OF ID



BEETLE BAILEY



DOONESBURY



REX MORGAN



GARFIELD



Solution to Friday's Puzzle

A crossword puzzle solution grid with words filled in.

AMOS 'N' HENRY



FRIDAY



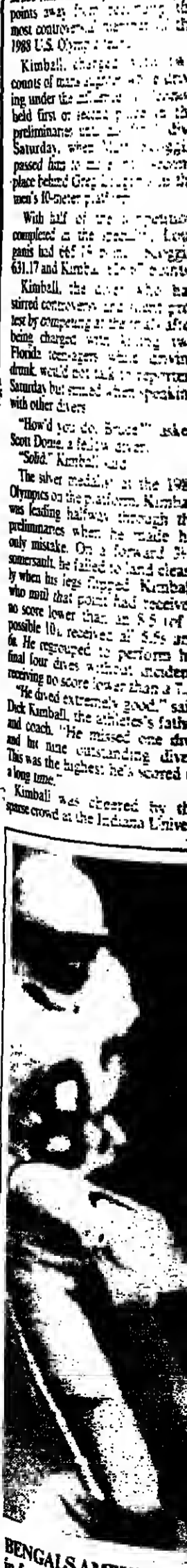
FRIDAY'S PUZZLE

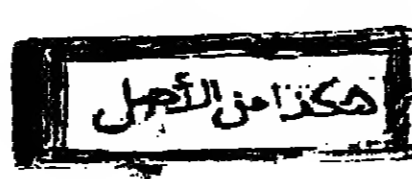
A Friday's Puzzle section with a grid and clues.

Tigers B

Partial text from a sidebar article about the Detroit Tigers.

Kimball V





MONDAY SPORTS

Tigers Blank White Sox on Morris 2-Hitter

DETROIT — Jack Morris pitched a two-hitter for his 21st career shutout and the Detroit Tigers completed a four-game sweep on Sunday with a 5-0 victory over the Chicago White Sox.

SUNDAY BASEBALL

and walked none in his second shutout and eighth complete game this season. It was his fifth career two-hitter. Jack McDowell allowed five runs on seven hits in 6 1/2 innings. He got little help as the White Sox made four miscues in the first three innings.

Pitcher Smiley's Baserunning Helps Pirates Defeat Astros and Ryan, 5-0

PITTSBURGH — John Smiley realized that pitching strongly would not be enough; he needed to do more against Nolan Ryan. Ryan worked 5 1/2 perfect innings on Saturday, retiring the first 17 batters, before Smiley used his eyes and legs to help the Pittsburgh Pirates defeat the Houston Astros, 5-0.

SATURDAY BASEBALL

Smiley walked on a 3-1 pitch with two out in the fifth; Barry Bonds followed with a single to right-center field on a 1-2 pitch, halting Ryan's chance to stretch his major-league record for no-hitters to six. On the play, Smiley barely beat the throw to third — and Bonds raced to second.



HOWLING IN PAIN, LEAPING IN VAIN: New York's Don Mattingly, left, reacting when plunked by a Rod Scarry pitch in the eighth inning at Yankee Stadium Saturday, the night after Seattle left fielder Mickey Brantley just failed to deny Ken Phelps a game-winning home run in the 10th.

SCOREBOARD

BASEBALL

Friday's and Saturday's Line Scores

Table of baseball scores for Friday and Saturday, including teams like Seattle, New York, Chicago, etc.

TENNIS

WOMEN'S TOURNAMENTS

Table of tennis results, including names like Stenon, Edberg, and Andre Agassi.

Kimball Within Range of Slot on U.S. Diving Team

INDIANAPOLIS — With only Sunday's competition remaining at the U.S. Olympic diving trials here, Bruce Kimball was just 4.5 judges' points away from becoming the most controversial member of the 1988 U.S. Olympic team.



Bruce Kimball, turning in a "solid" platform performance on Saturday.

Kimball, charged with two counts of manslaughter while driving under the influence of alcohol, held first or second place in the preliminaries until his final dive Saturday, when Matt Scoggin passed him to move into second place behind Greg Louganis in the men's 10-meter platform.

Kimball's father said he was "surprised" that no one had shouted at his son as he prepared his dives. "But diving is a sport where you just don't do things like that," he said.

No matter how Sunday went, he said that this was his son's "last mood." Unless he goes to the Olympics, "that's right — unless he goes to the Olympics. ... He wouldn't be here and put himself through what he has put himself through to decline."



BENGALS AMBUSH LIONS — Lewis Billups (here diving in front of intended receiver Gary Lee) intercepted quarterback Chuck Long twice in the game's first five minutes and the Bengals cruised to a 24-7 victory in a National Football League exhibition contest Saturday night in Cincinnati. Long was intercepted four times in his preseason debut for Detroit.

Protests Mount

Leaders of Mothers Against Drunk Driving and the father of a teen-ager killed in the accident, urged the U.S. Olympic Committee on Saturday to prohibit Kimball's participation in the Games.

"The Olympics are a symbol of sportsmanship, honor, discipline and leadership," said Robert Bedell, the father of one of the victims. "Mr. Kimball's actions disqualify him from a position as a role model for our children."

TRANSITION

BASEBALL American League BOSTON — Announced that they will give Martini an unrestricted minor league player in exchange for permission to send John Trautschman, pitcher, to Poncaville of the International League.

Major League Standings

Table of Major League Standings, including American League and National League divisions.

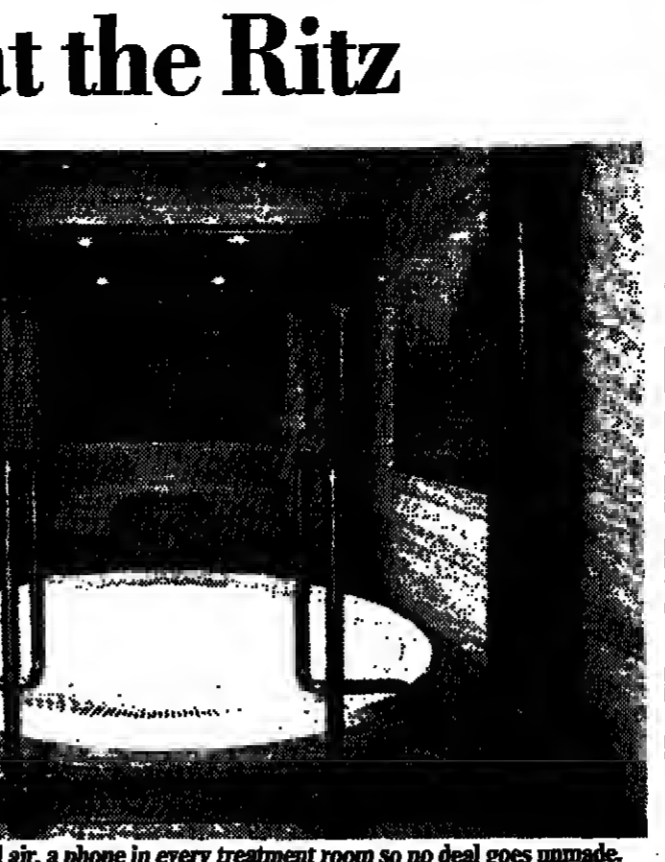
US OPEN SOCCER advertisement with logo and text.

POSTCARD Child-Care Paradise

By Fred M. Hechinger
STOCKHOLM—As U.S. Democratic and Republican standard bearers talk in general terms about child care and education, they might find some specifics in Scandinavian child-care centers and kindergartens.

Working Out at the Ritz

PARIS — By definition, the Ritz has everything, which means it is always bustling to keep up with itself. Adding a line of Ritz diaries, soap, peignoirs and blazer buttons was not enough, nor was the opening of the hotel's premises of the Escoffier cooking school a few months back.



The Ritz's Health Club: Barred air, a phone in every treatment room so no deal goes unmade.

MARY BLUME
The Ministry of Justice and to build there the Ritz Health Club. "A health club is an absolute necessity in today's world," says Frank Klein, the hotel's president.

DIVERSIONS Lost in the 'Wooz'

By Molly Colin
VACAVILLE, California — Most people would not pay \$7 to get lost, especially if it meant wandering about for hours in the sweltering heat. Yet thousands of enthusiasts each day are paying to lose themselves in the Wooz, a Japanese-built outdoor maze that recently opened here.

Vertical text on the far right edge of the page, partially cut off.

ANNOUNCEMENTS
USADIRECT CALLING THE STATES FROM OVERSEAS HAS NEVER BEEN EASIER WITH USADIRECT SERVICE

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50 AVE FOCH

LEGAL SERVICES
U.S. DIVORCE IN 21 DAYS
THE COLURG HOTEL
129, BAYSWATER ROAD

ANNOUNCEMENTS
THE HIT IS NOW AVAILABLE IN KEY U.S. CITIES ON DATE OF ISSUE

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Dow Average Below 2,000
NEW YORK — Prices on the New York Stock Exchange closed sharply lower Monday as slow trading saw Dow Jones industrial average drop to its first daily decline since late May.